

**NEW ISSUE – BOOK ENTRY ONLY**

**RATING (see “Rating” herein):**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.*

**\$5,330,000\***

**CITY OF MANHATTAN BEACH  
REASSESSMENT DISTRICT NO. 2018**

**LIMITED OBLIGATION REFUNDING BONDS, SERIES 2018**

Dated: Date of Issuance

Due: September 2, as shown on inside front cover

The City of Manhattan Beach Reassessment District No. 2018 Limited Obligation Refunding Bonds (the “Bonds”) are limited obligations of the City of Manhattan Beach (the “City”) secured by special reassessments to be levied on real property located within City of Manhattan Beach Reassessment District No. 2018 (the “Reassessment District”). The proceeds of the Bonds will be used (i) redeem various series of the City of Manhattan Beach Assessment District Limited Obligation Improvement Bonds, currently outstanding in the aggregate principal amount of \$6,245,000 (the “Refunded Bonds”), (ii) fund a Reserve Fund, and (iii) pay the costs of issuing the Bonds. The proceeds of the Refunded Bonds were used to finance the cost of the undergrounding of existing overhead utility facilities. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES OF USES OF BOND PROCEEDS”.

The Bonds are being issued pursuant to provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the Streets and Highways Code of California) (the “Act”) and a Indenture, dated as of August 1, 2015 (the “Indenture”) by and between the City and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”). The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of ownership interests in the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but are expected to receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable on September 2, 2018 and semiannually thereafter on each March 2 and September 2. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants, who are to remit such payments to the beneficial owners of the Bonds. See “THE BONDS — General” and APPENDIX E — “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds are special obligations of the City payable solely from revenues derived from installments of Reassessments (as defined herein) to be levied on and collected from the owners of parcels within the Reassessment District. Under the provisions of the Act, installments of principal and interest (the “Reassessment Installments”) sufficient to meet annual Bond debt service will be levied by the City and billed by the County of Los Angeles (the “County”) to owners of property within the Reassessment District against which there are unpaid Reassessments. Upon receipt by the City from the County, these annual Reassessment Installments are to be forwarded to the Fiscal Agent for deposit first into the Reassessment Fund and from that fund to the Redemption Fund (each such fund to be held by the Fiscal Agent) and used to pay debt service on the Bonds as it becomes due.

The Fiscal Agent will establish a Reserve Fund and deposit therein Bond proceeds in the amount of the Reserve Requirement (as defined herein) to provide funds for payment of principal and interest on the Bonds in the event of any delinquent Reassessment Installments. The City’s obligation to advance funds to the Redemption Fund as a result of delinquent installments is limited to the balance in the Reserve Fund. The City has covenanted to initiate judicial foreclosure in the event of a delinquency as described herein. See “SECURITY FOR THE BONDS — Covenant to Foreclose and Judicial Foreclosure Proceedings.”

The Bonds are subject to mandatory redemption from prepayments of Reassessments as set forth herein. See “THE BONDS — Redemption of Bonds” herein.

**THE BONDS ARE LIMITED OBLIGATION IMPROVEMENT BONDS AND ARE SECURED SOLELY BY THE OUTSTANDING REASSESSMENTS AND THE AMOUNTS IN THE REASSESSMENT FUND AND RESERVE FUND. THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY OF MANHATTAN BEACH, THE COUNTY OF LOS ANGELES (THE “COUNTY”), OR THE STATE OF**

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\* Preliminary; subject to change.

**CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING “SPECIAL RISK FACTORS,” SHOULD BE READ IN ITS ENTIRETY.**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including, without limitation, “Special Risk Factors,” to obtain information essential to the making of an informed investment decision.*

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel, and to certain other conditions. Certain legal matters will be passed upon for the City by Richards Watson & Gershon, P.C., City Attorney, and for the Underwriter by its counsel, Katten Muchin Rosenman LLP. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about March 2, 2018.*

**BofA Merrill Lynch**

Dated: February \_\_, 2018.

## MATURITY SCHEDULE

**\$5,330,000\*** Serial Bonds

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.<sup>†</sup></i>
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					

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\* Preliminary; subject to change.

<sup>†</sup> Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. Neither the City or the Underwriter take responsibility for the accuracy of the CUSIP numbers.

**City of Manhattan Beach**

**City Council**

*Amy Thomas Howorth, Mayor*  
*Steve Napolitano, Mayor Pro Tem*  
*Nancy Hersman, Councilmember*  
*Richard Montgomery, Councilmember*  
*David J. Lesser, Councilmember*

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**CITY OFFICIALS**

*Timothy J. Lilligren, City Treasurer*  
*Mark Danaj, City Manager*  
*Bruce Moe, Finance Director*  
*Henry Mitzner, City Controller*  
*Stephanie Katsouleas, Public Works Director*  
*Libby Bretthauer-Long, Financial Analyst*

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**PROFESSIONAL SERVICES**

***Bond Counsel and Disclosure Counsel***

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

***City Attorney***

Richards Watson & Gershon, P.C.  
Los Angeles, California

***Reassessment Engineer***

Harris & Associates  
Irvine, California

***Municipal Advisor***

KNN Public Finance LLP  
Los Angeles, California

***Fiscal Agent***

U.S. Bank National Association  
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information set forth herein which has been obtained by the City from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the Fiscal Agent. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the development status or value of the property within the Reassessment District, the owners of such property, or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

A wide variety of other information, including information concerning the Reassessment District and the property therein, is available from publications and websites of the City and others. No such information is a part of or incorporated into this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE REASSESSMENT DISTRICT.” The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Certificate, a form of which is attached as Appendix E, the City does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN**

**THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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

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**\$5,330,000\***  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**LIMITED OBLIGATION REFUNDING BONDS, SERIES 2018**

**INTRODUCTION**

**General**

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Bonds (defined below) to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX B — “SUMMARY OF THE INDENTURE — Definitions.”

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Manhattan Beach, California (the “City”) of the \$5,330,000\* City of Manhattan Beach Reassessment District No. 2018 Limited Obligation Refunding Bonds (the “Bonds”). The proceeds of the Bonds will be used (i) redeem various series of the City of Manhattan Beach Assessment District Limited Obligation Improvement Bonds, currently outstanding in the aggregate principal amount of \$6,245,000 (the “Refunded Bonds”), (ii) fund a Reserve Fund, and (iii) pay the costs of issuing the Bonds. See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are to be issued under the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of California (the “Act”), and pursuant to a Indenture by and between the City and U.S. Bank National Association (the “Fiscal Agent”), dated as of March 1, 2018 (the “Indenture”). The Bonds are secured under the Indenture by a pledge of and lien upon the Reassessments (as defined therein) and all moneys on deposit in the Reassessment Fund, the Redemption Fund and the Reserve Fund established pursuant to the Indenture. See “SECURITY FOR THE BONDS.”

**The Reassessment District**

The City’s Reassessment District No. 2018 (the “Reassessment District”) encompasses approximately 55.0 noncontiguous acres located within the City. The Reassessment District encompasses 5 assessment districts originally formed in 2004 and 2006 for the purpose of financing the cost of undergrounding public utilities lines in the respective districts (the “Original Districts”). Special assessment bonds were previously issued and delivered by the City, and are currently outstanding in the principal amount of \$6,245,000 (the “Refunded Bonds”). The City formed the Reassessment District to refinance the Refunded Bonds.

Proceedings for the formation of the Reassessment District were taken by the City Council pursuant to the Municipal Improvement Act of 1913, Division 12 of the California Streets and Highways Code (the “1913 Act”). The Reassessment District is substantially developed and consists of 690 completed single family detached homes, 11 undeveloped residential parcels and 17 parcels used as commercial property. Approximately 53.8 acres of the land within the Reassessment District has been

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\* Preliminary; subject to change.

developed for residential purposes, approximately 1.2 acres for commercial purposes and approximately 0.7 acres is currently undeveloped.

### **Reassessments**

In connection with the issuance of the Bonds, the City has conducted proceedings to reassess the parcels in the Reassessment District with Reassessments, and the resulting reassessments (exclusive of any portion thereof levied to pay Administrative Expenses (as defined below) are referred to herein as the “Reassessments.” Each Reassessment supersedes and supplants the assessment originally confirmed upon the applicable parcel in connection with the Original Districts. The Bonds are secured by the Reassessments; and installments of the Reassessments (the “Reassessment Installments”), which are to be collected each year along with the *ad valorem* taxes collected by the County, are to be used to pay the principal of and interest on the Bonds as the same became due and payable.

### **Property Values and Value-to-Reassessment Lien Ratios**

The aggregate assessed value of the parcels that are subject to Reassessments, as shown in the County Assessor’s preliminary roll for fiscal year 2017-18 (as of January 1, 2018), is \$1,578,753,238. The ratio of the assessed value of such parcels to the total amount of the Reassessments is approximately 320 to 1. See “THE REASSESSMENT DISTRICT — General Description” for a listing of each parcel with a Reassessments and the assessed value of each parcel. This ratio does not include other direct and overlapping debt within the Reassessment District. Taking that direct and overlapping debt into account, the ratio of the assessed value of such parcels within the Reassessment District to the total principal amount of all direct and overlapping special tax and assessment bonds for the Reassessment District (approximately \$17.8 million, inclusive of the Reassessments) is approximately 88:1. See “THE REASSESSMENT DISTRICT — Estimated Direct and Overlapping Indebtedness” and “Estimated Assessed Value-to-Lien Ratio” below.

### **No Additional Bonds**

The City is not authorized to issue additional bonds (other than the Bonds or any refunding bonds) secured by the Reassessments.

### **Tax Matters**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions, the interest (and original issue discount) on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with certain covenants set forth in the Indenture described herein, is excludable from gross income of the owners of the Bonds for federal income tax purposes and is not included as a specific preference item for purposes of the federal alternative minimum tax. Set forth in Appendix C is the opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and the tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS” herein.

### **Professionals Involved in the Offering**

U.S. Bank National Association, Los Angeles, California will act as Fiscal Agent under the Indenture. The legal proceedings in connection with the authorization and issuance of the Bonds are subject to the approval as to their legality of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. Certain legal matters

will be passed on for the City by Richards Watson & Gershon, P.C., City Attorney and for the Underwriter by its counsel, Katten Muchin Rosenman LLP. KNN Public Finance LLC, serves as the City's Municipal Advisor; and Harris & Associates prepared the Reassessment Report (as defined below).

For information concerning financial or other interest which certain of the above-mentioned professionals, advisors, counsel and agents may have in the offering of the Bonds, see "CONCLUDING INFORMATION — Financial Interests" herein.

### **Continuing Disclosure**

The City will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system certain annual financial information and operating data. The City will further agree to provide notice of certain specified events. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See "CONCLUDING INFORMATION — Continuing Disclosure" and Appendix E for a description of the specific nature of the annual reports to be filed by the City and notices of material events to be provided by the City.

### **Bond Owners' Risks**

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds are not suitable investments for some types of investors.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the Board of Directors of the City, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture and other documents and information referred to herein are available for inspection and (upon request and payment to the Fiscal Agent of a charge for copying, mailing and handling) for delivery from the Fiscal Agent.

## THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be used along with other funds held by the City to redeem the Refunded Bonds on March 2, 2018 (the “Redemption Date”), contemporaneously with the issuance of the Bonds, at a redemption price equal to 100% of the principal amount thereon, plus interest accrued but unpaid to the Redemption Date. The following table shows certain information relating to the Refunded Bonds.

### Underground Utility Assessment District No. 04-1 Limited Obligation Improvement Bonds, Series 2004

Bond	Maturity Date (September 2)	Interest Rate	Par Amount	CUSIP <sup>†</sup>
Serial Bond	2018	4.850%	\$75,000	562783AT7
	2019	5.000	80,000	562783AU4
	2020	5.100	85,000	562783AV2
	2021	5.200	85,000	562783AW0
	2022	5.250	95,000	562783AX8
	2023	5.300	95,000	562783AY6
	2024	5.350	105,000	562783AZ3
			\$620,000	

### Underground Utility Assessment District No. 04-3 Limited Obligation Improvement Bonds, Series 2004

Bond	Maturity Date (September 2)	Interest Rate	Par Amount	CUSIP <sup>†</sup>
Serial Bond	2018	4.850%	\$55,000	562783BP4
	2019	5.000	55,000	562783BQ2
	2020	5.100	60,000	562783BR0
	2021	5.200	65,000	562783BS8
	2022	5.250	65,000	562783BT6
	2023	5.300	65,000	562783BU3
	2024	5.350	70,000	562783BV1
			\$435,000	

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<sup>†</sup> Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. Neither the City or the Underwriter take responsibility for the accuracy of the CUSIP numbers.

**Underground Utility Assessment District No. 04-5  
Limited Obligation Improvement Bonds, Series 2004**

<b>Bond</b>	<b>Maturity Date (September 2)</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>CUSIP<sup>†</sup></b>
Serial Bond	2018	4.850%	\$45,000	562783CK4
	2019	5.000	50,000	562783CL2
	2020	5.100	50,000	562783CM0
	2021	5.200	55,000	562783CN8
	2022	5.250	55,000	562783CP3
	2023	5.300	60,000	562783CQ1
	2024	5.350	60,000	562783CR9
			<u>\$375,000.00</u>	

**Underground Utility Assessment District No. 05-2  
Limited Obligation Improvement Bonds, Series 2006**

<b>Bond</b>	<b>Maturity Date (September 2)</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>CUSIP<sup>†</sup></b>
Serial Bond	2018	4.500%	\$215,000	562783DD9
	2019	4.500	225,000	562783DE7
Term Bond	2022	4.625	740,000	562783DF4
Term Bond	2026	5.000	1,160,000	562783DG2
			<u>\$2,340,000</u>	

**Underground Utility Assessment District No. 05-6  
Limited Obligation Improvement Bonds, Series 2006**

<b>Bond</b>	<b>Maturity Date (September 2)</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>CUSIP<sup>†</sup></b>
Serial Bond	2018	4.500%	\$230,000	562783DU1
	2019	4.500	240,000	562783DV9
Term Bond	2022	4.625	775,000	562783DW7
Term Bond	2026	5.000	1,230,000	562783DX5
			<u>\$2,475,000</u>	

<sup>†</sup> Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. Neither the City or the Underwriter take responsibility for the accuracy of the CUSIP numbers.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Bonds and certain other funds will be applied as set forth in the following table:

<b>SOURCES:</b>	
Par Amount of Bonds	\$
Plus Original Issue Premium	
Plus Funds Transferred by the City	
Total Sources	\$
 <b>USES:</b>	
Transfer to Escrow Fund	\$
Costs of Issuance Fund <sup>(1)</sup>	
Reserve Fund <sup>(2)</sup>	
Total Uses	\$

<sup>(1)</sup> Includes costs of issuance, such fees and costs of the Fiscal Agent, Bond Counsel, Disclosure Counsel, Municipal Advisor and Reassessment Engineer, underwriter’s discount, printing costs and other related costs for the confirmation of the Reassessments and the issuance of the Bonds.

<sup>(2)</sup> Equal to the initial Reserve Requirement.

**THE BONDS**

**General**

The Bonds will be dated their date of delivery and mature on September 2 in the years and in the amounts shown on the cover page of this Official Statement. Interest shall be payable on September 2, 2018 and semiannually thereafter on March 2 and September 2 of each year until maturity. The Bonds are issued as fully registered bonds, with authorized denominations of \$5,000 and any increment of \$5,000 in excess thereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof unless (i) it is authenticated 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 it shall bear interest from such Interest Payment Date, or (ii) it is authenticated before the close of business on the first Record Date, in which event it shall bear interest from its dated date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or from the date of original delivery of the Bonds.

Interest on the Bonds is payable by the Fiscal Agent on each Interest Payment Date to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of the Business Day on the Record Date preceding the Interest Payment Date. The Bonds will be initially held in book-entry form and registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Thus, as long as the Bonds are so registered, all interest payments will be made directly to DTC for distribution to the beneficial owners in accordance with DTC’s procedures. See APPENDIX E — “BOOK-ENTRY ONLY SYSTEM.”

## Redemption of Bonds

*No Optional Redemption.* The Bonds are not subject to optional redemption prior to maturity.

*Mandatory Redemption from Reassessment Prepayments.* The Bonds shall be subject to mandatory redemption, in whole or in part 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 Date</i>	<i>Redemption Prices</i>
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	

## Notice of Redemption

The Fiscal Agent shall cause notice of any redemption to be mailed by registered or certified mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the securities depository and to certain information services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond Register maintained by the Fiscal Agent; but the actual receipt of any notice shall not be a condition precedent to such redemption and failure to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. Such notice shall be mailed 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 provided in the Indenture shall be conclusive as against all parties.

## Refunding Bonds

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Divisions 11 and 11.5 of the Streets and Highways Code) (the "1984 Act"), the City may issue refunding bonds for the purpose of redeeming Bonds. The City may issue and sell refunding bonds without giving notice to and conducting a hearing for the owners of property in the Reassessment District or giving notice to the owners of the Bonds if the City Council makes the findings required in the 1984 Act.

## Annual Debt Service

Table 1 below sets forth the annual debt service on the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement.

**TABLE 1  
CITY OF MANHATTAN BEACH  
REASSESSMENT DISTRICT NO. 2018  
LIMITED OBLIGATION REFUNDING BONDS, SERIES 2018**

**Annual Debt Service**

<i>Year Ending September 2</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
<b>Total</b>			

**SECURITY FOR THE BONDS**

**Limited Obligation**

The obligation of the City relating to the Bonds is not a general obligation of the City, but is a limited obligation, payable solely from the Reassessment Installments and from the funds pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the City, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. **Notwithstanding any other provision of the Indenture, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund.**

**Reassessment Liens and Installments**

The Bonds are issued upon and secured by and payable solely from the Reassessments on parcels of property within the Reassessment District together with interest thereon, and such Reassessments, together with interest thereon, constitute a fund for the redemption and payment of the principal of the Bonds and the interest thereon and premium, if any. In addition, all of the Bonds are secured by assessments relating to the Prior Bonds received after the date of issuance of the Bonds, the moneys in the Reassessment Fund, the Redemption Fund and the Reserve Fund created pursuant to the Indenture. Principal of and interest on the Bonds are payable exclusively from the Redemption Fund.

Although the Reassessments constitute fixed liens on the parcels assessed, they do not constitute a personal indebtedness of the respective owners of such parcels. There can be no assurance as to the ability or the willingness of such owners to pay the Reassessments when due. See “SPECIAL RISK FACTORS.”

The Reassessments will be collected in annual installments, together with interest, on the County secured tax roll on which general *ad valorem* taxes on real property are collected (the “Reassessment Installments”). However, the Reassessment Installments represent only the annual portion of the Reassessments levied to pay the principal of and interest on the Bonds and therefore do not include the portion thereof levied to pay Administrative Expenses nor, to the maximum extent permitted by law, do

the Reassessment Installments include any penalties or interest payable in connection with delinquencies. The City will include in the annual installments an amount for the payment of Administrative Expenses in an amount not in excess of the amount set forth in the Reassessment Report; such amounts will not be available to pay debt service on the Bonds. The Reassessment Installments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do such general taxes. The properties upon which the Reassessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. The annual Reassessment Installments are to be paid to the City and transferred by the City to the Fiscal Agent with instructions to deposit into the Reassessment Fund the portion thereof that was levied to pay the principal of and interest on the Bonds and to deposit into the Administrative Expense Fund the portion thereof that was levied to pay Administrative Expenses. The Fiscal Agent is to transfer amounts in the Reassessment Fund into the Redemption Fund to pay the principal of and interest on the Bonds as they become due.

The Reassessment Installments billed against each of the parcels in the Reassessment District each year represent a *pro rata* share of the total principal and interest coming due on all of the Bonds that year. The amount billed against each parcel is based on the percentage which the Reassessment against the subject parcel bears to the total of all the Reassessments. The failure of a property owner to pay an annual Reassessment Installment will not result in an increase in Reassessment Installments against other property in the Reassessment District.

Each property owner has a statutory right to prepay the Reassessment on a parcel in whole or in part on any date. Amounts received as prepaid Reassessments will be deposited in the Prepayment Account of the Redemption Fund and shall be used solely for the purpose of redeeming Bonds. See “THE BONDS — Redemption of Bonds — *Mandatory Redemption from Reassessment Prepayments.*”

### **Limited Obligation Upon Delinquency**

**THE BONDS ARE LIMITED OBLIGATION IMPROVEMENT BONDS AND ARE SECURED SOLELY BY THE OUTSTANDING REASSESSMENTS AND THE AMOUNTS IN THE REASSESSMENT FUND AND RESERVE FUND. THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY OF MANHATTAN BEACH, THE COUNTY OF LOS ANGELES (THE “COUNTY”), OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.**

### **Reserve Fund**

The Indenture provides that a Reserve Fund shall be established and held by the Fiscal Agent. The amount to be maintained in the Reserve Fund is to equal the Reserve Requirement. The Reserve Requirement means, as of any date of calculation, the lesser of (i) 10% of the original aggregate principal amount of the Bonds, (ii) maximum annual debt service on the Bonds and (iii) 125% of average annual debt service on the Bonds. Moneys in the Reserve Fund shall be held for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. See APPENDIX C — “SUMMARY OF INDENTURE.”

In the event a Reassessment is prepaid in whole or in part, the City shall transfer such payment to the Fiscal Agent. The amount of each Reassessment prepaid shall be reduced by the amount the Fiscal Agent is required to transfer from the Reserve Fund for deposit in the Prepayment Account of the Redemption Fund. Under the Indenture the Fiscal Agent is to transfer the portion of the balance then in

the Reserve Fund equal to the proportion that the principal amount of the Reassessment being prepaid bears to the total of all Reassessments remaining unpaid as of such date. The City shall notify, or shall cause the Fiscal Agent to be notified, of the amount so transferred provided that in no event shall the amount so transferred cause the amount in the Reserve Fund to drop below the Reserve Requirement as determined immediately subsequent to the transfer and redemption of Bonds made in connection therewith. After each such transfer, the Reserve Requirement shall be reduced by the amount of the related transfer.

Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal of or interest on the Bonds, the Fiscal Agent shall transfer from the Reserve Fund for deposit in the Redemption Fund an amount necessary to satisfy such deficiency.

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 200% of the Reserve Requirement, and, thereafter, shall be withdrawn from the Reserve Fund on each March 1 and September 1 and shall be transferred by the Fiscal Agent to the Reassessment Fund.

Whenever the balance in the Reserve Fund, the Reassessment Fund and the Redemption Fund is sufficient to retire all the remaining Outstanding Bonds, the Fiscal Agent shall, at the Written Direction of the City, transfer the balance in the Reserve Fund to the Redemption Fund.

THE CITY HAS NO OBLIGATION TO REPLENISH THE RESERVE FUND EXCEPT TO THE EXTENT THAT DELINQUENT REASSESSMENT INSTALLMENTS ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

#### **Covenant to Foreclose and Judicial Foreclosure Proceedings**

The 1913 Act provides that in the event any Reassessment Installment is not paid when due, the City may order the institution of a court action to foreclose the lien of the Reassessment. In such an action, the real property subject to the Reassessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. However, pursuant to the Indenture, the City will covenant for the benefit of the Owners to commence foreclosure proceedings no later than 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. The City will also covenant to diligently prosecute any such foreclosure action to judgment and foreclosure sale unless such delinquency is paid prior thereto. Upon the redemption or sale of the real property responsible for such delinquencies, the City will first deposit to the Reserve Fund the amount of any delinquency advanced therefrom and then disburse the remaining amount as set forth in the judgment of foreclosure or as required by law.

The 1913 Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Reassessment Installments to be sold for an amount not less than all Reassessment Installments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1913 Act. The court may also include subsequent delinquent Reassessment Installments and all other delinquent amounts.

If the property to be sold fails to sell for the minimum price described above, the City may petition the court to modify the judgment so that the property may be sold at a lesser price or without a minimum price. In certain circumstances, the court may modify the judgment after a hearing if the court makes certain determinations, including, but not limited to, a determination that the sale at less than the minimum price will not result in an ultimate loss to the Owners of the Bonds or a determination that the Owners of at least 75% of the principal amount of the Bonds outstanding have consented to the petition and the sale will not result in an ultimate loss to the non-consenting Bond Owners. Neither the property owner, nor any holder of a security interest in the property, nor any defendant in the foreclosure action, nor any agent thereof may purchase the property at the foreclosure sale for less than the minimum price.

For any lot or parcel with not more than four dwelling units, a period of 140 days must elapse after the date of the notice of levy of the interest in real property is served on the judgment debtor before the sale of such lot or parcel can be made. However, pursuant to Streets and Highways Code Section 8832, the 140 day period may be shortened to 20 days for undeveloped property. If the judgment debtor fails to redeem, and if the purchaser at the sale is the judgment creditor (e.g., the City), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale.

**In the event judicial foreclosure proceedings are commenced by the City, there may be delays in payments to Owners of the Bonds pending prosecution of the foreclosure proceedings to completion, including the receipt of the City of the proceeds of the foreclosure sale. It is also possible that no qualified bid will be received at the foreclosure sale. See “SPECIAL RISK FACTORS” herein.**

#### **Priority of Reassessment Lien**

The Reassessments and each installment thereof and any interest and penalties thereon constitute a lien against the lots and parcels of land on which they were imposed until paid. Such lien has priority over all fixed special assessment liens which may thereafter be created against the property and also has priority over all private liens, including the lien of any mortgage or deed of trust whenever created. Such lien is co-equal to and independent of the lien for general taxes. See “THE REASSESSMENT DISTRICT — Direct and Overlapping Indebtedness” and “SPECIAL RISK FACTORS — FDIC/Federal Government Interests in Parcels.”

#### **No Additional Bonds**

The City is not authorized to issue additional bonds (other than the Bonds or any refunding bonds) secured by the Reassessments. See “THE BONDS — Refunding Bonds” above.

### **THE CITY**

The City of Manhattan Beach is a general law city located in the South Bay area of Los Angeles County on the shores of the Pacific Ocean surrounded by El Segundo to the north, Hawthorne, Lawndale and Redondo Beach to the east and Hermosa Beach to the south. The City was incorporated on December 12, 1912.

The City encompasses approximately 2,492 acres or 3.9 square miles that is essentially fully developed consisting primarily of residential development, with commercial development along the major arterials and some light industrial development in the northeast portion of the City. The terrain is characterized by rolling hills that slope to the Pacific Ocean. See APPENDIX B — “THE CITY OF MANHATTAN BEACH” herein.

## **THE REASSESSMENT DISTRICT**

### **General Description**

The Reassessment District is substantially developed and consists of 695 completed single family detached homes and 17 parcels used as commercial property and eight parcels of undeveloped property. The single family homes range in size from approximately \_\_\_\_ square feet to approximately \_\_\_\_ square feet on lots ranging from approximately \_\_\_\_ acres to \_\_\_\_ acres. Approximately 53.8 acres of the land within the Reassessment District has been developed for residential purposes, and approximately 1.2 acres for commercial purposes. Approximately 0.7 acres is currently undeveloped. The Reassessment District consists of approximately 55.0 noncontiguous acres. A diagram of the Reassessment District appears in Appendix A.

### **Reassessments**

On January 16, 2018, the Board took proceedings under the Refunding Act of 1984 for 1915 Act Improvement Bonds and confirmed a reassessment, which reassessment and a related diagram were recorded in the office of the Director of Public Works of the City as the Superintendent of Streets, and with the County Recorder of the County of Los Angeles. A notice of reassessment, as prescribed in Section 3114 of the Streets and Highways Code, has been recorded with the County Recorder, whereupon the reassessment attached as a lien upon the property assessed within the Reassessment District as provided in Section 3115 of the Streets and Highways Code.

The amounts assessed against the parcels of property to pay the costs and expenses of the work and improvements were based on the estimated benefits to be derived by the various properties within the Reassessment District.

### **Estimated Direct and Overlapping Indebtedness**

Within the Reassessment District's boundaries are numerous overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and reassessments on the parcels within the Reassessment District and others have authorized but unissued bonds which, if issued, will be secured by taxes and reassessments levied on parcels within the Reassessment District. The approximate amount of the direct and overlapping debt secured by such taxes and reassessment on the parcels within the Reassessment District as of \_\_\_\_ 1, 2018 is shown in Table 2 below (the "Debt Report").

The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. Neither the City nor the Underwriter has independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

**TABLE 2**  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**Secured Property Tax Roll and Direct and Overlapping Debt**

2017-18 Assessed Valuation: \$1,572,284,858 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/17</u>
Metropolitan Water District	0.058%	\$42,985
El Camino Community College District	1.508	5,804,818
Manhattan Beach Unified School District	8.973	7,056,264
<b>City of Manhattan Beach 1915 Act Bonds</b>	<b>100.000</b>	<b>6,245,000 (1)</b>
Los Angeles County Regional Park and Open Space Assessment District	0.018	<u>4,811</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$19,153,878</b>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.111%	\$2,144,723
Los Angeles County Superintendent of Schools Certificates of Participation	0.111	7,202
City of Manhattan Beach General Fund Obligations	8.974	2,336,279
Los Angeles County Sanitation District South Bay Cities Authority	3.798	<u>121,767</u>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$4,609,971</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$23,763,849 (2)</b>

(1) Excludes refunding bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

<b>Combined Direct Debt (\$6,245,000)</b> .....	<b>0.40%</b>
Total Overlapping Tax and Assessment Debt .....	1.22%
Combined Total Debt	1.51%

## **Expected Tax Burden**

The following table sets a sample property tax bill for a sample single family detached unit within the Reassessment District.

**TABLE 3**  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**Sample Fiscal Year 2017-18 Tax Bill**

## Estimated Assessed Value-to-Lien Ratio

The value of the land within the Reassessment District is significant because in the event of a delinquency in the payment of Reassessment Installments the City may foreclose only against delinquent parcels. The aggregate assessed value of the parcels that are subject to Reassessments, as shown in the County Assessor's preliminary roll for fiscal year 2017-18 (as of January 1, 2018), is \$1,578,753,238. The ratio of such assessed value to the total amount of the Reassessments is approximately 320 to 1. This ratio does not include other overlapping debt within the Reassessment District. See "— Estimated Direct and Overlapping Debt" above. Taking that overlapping debt into account, the ratio of such assessed value to the total amount of existing bonded debt is approximately 88:1 to 1 for property in the Reassessment District.

Table 4 below sets forth the stratification of value-to-liens of the parcels within the Reassessment District based on the assessed value for Fiscal Year 2017-18 as shown on the County Assessor's roll as of January 1, 2018 and such parcels' respective shares of the Reassessment Lien.

**TABLE 4**  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**Estimated Value to Lien Analysis**  
**Based on Assessed Value and Reassessment Lien**

<i>Value-to-Lien</i>	<i>Parcels</i>	<i>% of Total Parcels</i>	<i>Reassessment Lien Amount</i>	<i>% of Reassessment Lien</i>	<i>Assessed Value<sup>(1)</sup></i>	<i>% of Assessed Value</i>
100.00:1 and above	556	77.44%	\$ 3,552,200.98	72.18%	\$ 1,504,564,590	95.69%
75.00:1 through 99.99:1	43	5.99	322,833.91	6.56	27,712,952	1.76
50.00:1 through 74.99:1	43	5.99	342,246.24	6.95	21,435,222	1.36
40.00:1 through 49.99:1	22	3.06	166,723.62	3.39	7,447,914	0.47
20.00:1 through 39.99:1	31	4.32	275,224.91	5.59	7,611,417	0.48
15.00:1 through 19.99:1	9	1.25	103,115.62	2.10	1,805,965	0.11
10.00:1 through 14.99:1	8	1.11	91,273.31	1.85	1,124,462	0.07
0.00:1 through 9.99:1	6	0.84	67,529.58	1.37	582,336	0.04
<b>Totals</b>	<b>718</b>	<b>100.00%</b>	<b>\$ 4,921,148.17</b>	<b>100.00%</b>	<b>\$ 1,572,284,858</b>	<b>100.00%</b>

<sup>(1)</sup> The total reassessment lien amount is equal to the amount of refunding bonds issued less the credit for Fiscal Year 2017-18 assessments, which are being used to pay bond principal in 2019.

Source: Los Angeles County Assessor's Fiscal Year 2017-18 Secured Roll as of July 1, 2017.

Note: Table figures may not foot due to rounding.

Table 5 below shows the ratios of the Reassessment Lien and direct and overlapping debt to assessed value of the various parcels within the Reassessment District based on land use type.

**TABLE 5**  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**Estimated Value-to-Lien Ratios by Land Use**

<i>Land Use</i> <sup>(1)</sup>	<i># of Parcels</i>	<i>Acres</i> <sup>(1)</sup>	<i>Land Value</i> <sup>(1)</sup>	<i>Structure Value</i> <sup>(1)</sup>	<i>Total Value</i> <sup>(2)</sup>	<i>Reassessment Amount</i>	<i>% of Reassessment</i>	<i>Assessed Value to Reassessment Lien</i>	<i>Total Reassessment and Direct and Overlapping Debt</i>	<i>Assessed Value to Total Reassessment and Direct and Overlapping Debt Lien</i>
<b>Undeveloped</b>										
Commercial	0	0.000	\$ 0	\$ 0	\$ 0	\$ 0.00	0.00%	0.00:1	\$ 0	0.00:1
Residential	<u>11</u>	<u>0.699</u>	<u>28,035,294</u>	<u>2,594,917</u>	<u>30,630,211</u>	<u>69,025.99</u>	<u>1.40</u>	443.75:1	<u>320,469</u>	95.58:1
<b>Total Undeveloped</b>	<b>11</b>	<b>0.699</b>	<b>\$ 28,035,294</b>	<b>\$ 2,594,917</b>	<b>\$ 30,630,211</b>	<b>\$ 69,025.99</b>	<b>1.40%</b>	<b>443.75:1</b>	<b>\$ 320,469</b>	<b>95.58:1</b>
<b>Developed</b>										
Commercial	17	1.249	\$ 8,803,839	\$ 4,759,597	\$ 13,563,436	\$ 43,498.25	0.88%	311.82:1	\$ 155,193	87.40:1
Residential	<u>690</u>	<u>53.788</u>	<u>1,052,151,005</u>	<u>475,940,206</u>	<u>1,528,091,211</u>	<u>4,808,623.93</u>	<u>97.71</u>	317.78:1	<u>17,354,363</u>	88.05:1
<b>Total Developed</b>	<b>707</b>	<b>54.037</b>	<b>\$ 1,060,954,844</b>	<b>\$ 480,699,803</b>	<b>\$1,541,654,647</b>	<b>\$ 4,852,122.18</b>	<b>98.60%</b>	<b>317.73:1</b>	<b>\$17,50,557</b>	<b>88.05:1</b>
<b>Total</b>	<b>718</b>	<b>54.736</b>	<b>\$ 1,088,990,138</b>	<b>\$ 483,294,720</b>	<b>\$1,572,284,858</b>	<b>\$ 4,921,148.17</b>	<b>100.00%</b>	<b>319.50:1</b>	<b>\$17,830,026</b>	<b>88.18:1</b>

<sup>(1)</sup> Los Angeles County Assessor's Fiscal Year 2017-18 Secured Roll as of July 1, 2017.

<sup>(2)</sup> The total reassessment amount is equal to the amount of refunding bonds issued less the credit for Fiscal Year 2017-18 assessments, which are being used to pay bond principal in 2019.

Source: California Municipal Statistics, Inc.

## **Top Taxpayers**

Table 6 below lists the largest property taxpayers within the Reassessment District measured by the allocated amount of the Reassessment lien. No property owner within the Reassessment District currently owns parcels responsible for more than 0.56% of the Reassessment lien. The 20 largest property owners are responsible for approximately 9.4% of the Reassessment lien.

**TABLE 6**  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**Top 20 Owners by Reassessment Amount<sup>(1)</sup>**

<i>Owner</i>	<i># of Parcels</i>	<i>Value<sup>(2)</sup></i>	<i>Structure Value<sup>(2)</sup></i>	<i>Total Value<sup>(3)</sup></i>	<i>Reassessment</i>	<i>% of Reassessment</i>	<i>Value to Reassessment Lien</i>	<i>Total Reassessment and Overlapping Debt<sup>(4)</sup></i>	<i>Assessed Value to Total Reassessment and Overlapping Debt Lien</i>
Gorman Gary M Pace Dana M	2	\$ 2,446,323	\$ 1,261,911	\$ 3,708,234	\$ 27,386	0.557%	135.41:1	\$ 57,837	64.12:1
Tanquary Grafton P III Co TR Tanquary Family Trust	2	5,553,858	1,774,917	7,328,775	27,386	0.557	267.61:1	87,553	83.71:1
Barker Jeffrey A & Andrea M	2	6,600,653	1,744,826	8,345,479	25,420	0.517	328.30:1	93,932	88.85:1
Hawken Jeffrey And Melinda TRS LBM Trust	3	17,211,079	2,627,549	19,838,628	24,661	0.501	804.45:1	187,458	105.83:1
Shibuya Robert And Michele TRS Shibuya Family Trust	2	2,167,573	2,390,286	4,557,859	23,165	0.471	196.75:1	60,561	75.26:1
Jamgotchian Jerry J And P Jamgotchian Trust	2	2,552,151	2,893,017	5,445,168	21,489	0.437	253.40:1	66,189	82.27:1
Bain Robert G And Vesna P TRS Bain Family Trust	2	3,533,088	2,532,810	6,065,898	20,910	0.425	290.10:1	70,657	85.85:1
Breen Edward M	2	216,698	96,304	313,002	20,910	0.425	14.97:1	23,434	13.36:1
Cox Mary E Et Al Meek Homer L	2	3,085,874	1,235,706	4,321,580	20,910	0.425	206.68:1	56,345	76.70:1
Fortaleza LP	2	572,546	1,961,357	2,533,903	20,910	0.425	121.18:1	41,666	60.81:1
Khalid Azmil K Hussein Nik F	2	20,026,834	9,053,658	29,080,492	20,910	0.425	1,390.75:1	259,561	112.04:1
Kirkpatrick Bernadette C Kirkpatrick Trust	2	2,564,947	668,692	3,233,639	20,910	0.425	154.65:1	47,413	68.20:1
Seagars Dana J Dana J Seagars Trust	2	230,584	73,320	303,904	20,910	0.425	14.53:1	23,365	13.01:1
Kaufman Michael A Co TR Kaufman Family Trust	1	2,760,969	698,024	3,458,993	18,608	0.378	185.89:1	47,006	73.59:1
Kelly John C And Holly T TRS Kelly Family Trust	1	2,722,999	1,894,369	4,617,368	18,608	0.378	248.14:1	56,514	81.70:1
Lapham John Iii And Evelyn TRS Lapham Family Trust	1	1,485,883	1,323,919	2,809,802	18,608	0.378	151.00:1	41,678	67.42:1
Napier Daniel W & Margaret N	1	119,759	411,193	530,952	18,608	0.378	28.53:1	22,973	23.11:1
Naylor Christopher S Co TR Naylor Trust	1	3,939,017	1,747,292	5,686,309	18,608	0.378	305.59:1	65,288	87.10:1
Neu Jeffrey P Jeffrey P Neu Trust	1	3,114,211	1,610,340	4,724,551	18,608	0.378	253.90:1	57,395	82.32:1
Poon Dominic K Lam Man Lai	1	1,124,559	2,731,780	3,856,339	18,608	0.378	207.24:1	50,268	76.72:1
Rosenberg W Michael Rosenberg Trust	1	4,086,004	1,651,390	5,737,394	18,608	0.378	308.33:1	65,707	87.32:1
Seiffer Jonathan A & Dora M	1	5,040,500	1,959,500	7,000,000	18,608	0.378	376.19:1	76,071	92.02:1
All Other Owners	682	997,834,029	440,952,560	1,438,786,589	4,457,800	90.585	322.76:1	16,266,154	88.45:1
<b>Totals</b>	<b>718</b>	<b>\$1,088,990,138</b>	<b>\$ 483,294,720</b>	<b>\$1,572,284,858</b>	<b>\$4,921,148</b>	<b>100.00%</b>	<b>319.50:1</b>	<b>\$17,830,026</b>	<b>88.18:1</b>

<sup>(1)</sup> Owners with the same reassessment amount are listed in alphabetical order.

<sup>(2)</sup> Los Angeles County Assessor's Fiscal Year 2017-18 Secured Roll as of July 1, 2017.

<sup>(3)</sup> The total reassessment amount is equal to the amount of refunding bonds issued less the credit for Fiscal Year 2017-18 assessments which are being used to pay bond principal in 2019.

Source: California Municipal Statistics, Inc.

Note: Table figures may not foot due to rounding.

## Historical Assessment Collections and Delinquencies

The following table sets forth a history of the assessments levied and delinquencies within the properties comprising the Original Districts from Fiscal Year 2012-13 through Fiscal Year 2016-17.

**TABLE 7**  
**CITY OF MANHATTAN BEACH**  
**REASSESSMENT DISTRICT NO. 2018**  
**Special Assessment Levies, Delinquencies and Delinquency Rates**  
**Fiscal Year 2012-13 through 2016-17**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year<sup>(1)</sup></i>			<i>Delinquencies as of December 9, 2017</i>		
		<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2012-13	\$ 958,773.68	14	\$ 10,591.56	1.10%	1	\$ 354.54	0.04%
2013-14	958,783.35	11	10,047.15	1.05	0	0.00	0.00
2014-15	947,733.42	11	6,782.79	0.72	2	1,992.13	0.21
2015-16	951,549.67	11	9,736.16	1.02	1	2,796.09	0.29
2016-17	<u>954,129.45</u>	<u>17</u>	<u>14,828.09</u>	<u>1.55</u>	<u>6</u>	<u>6,819.98</u>	<u>0.71</u>
<b>Totals</b>	<b>\$ 4,770,969.57</b>	<b>64</b>	<b>\$ 51,985.75</b>	<b>1.09</b>	<b>10</b>	<b>\$ 11,962.74</b>	<b>0.25%</b>

<sup>(1)</sup> As of fiscal year end of year levied.

## SPECIAL RISK FACTORS

The purchase of the Bonds involves significant investment risks; and, therefore, the Bonds may not be suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Reassessment District to pay their Reassessment Installments when due. Such failures could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Reassessment District.

### General

In order to pay debt service on the Bonds, it is necessary that Reassessment Installments be paid in a timely manner. The Reserve Fund will be used to pay debt service on the Bonds if delinquent Reassessment Installments should occur. Failure by owners of the parcels to pay Reassessment Installments when due, depletion of the Reserve Fund or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Reassessment Installments for such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds, and Bondowners would thereby be adversely affected. There can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Fund and a delay in payments of debt service on the Bonds. See “SECURITY FOR THE BONDS — Covenant to Foreclose and Judicial Foreclosure Proceedings.”

The 1915 Act provides that except under certain circumstances property is to be sold upon foreclosure at a Minimum Price. “Minimum Price” as defined in the 1915 Act is the amount equal to the

delinquent installments of principal or interest of the assessment or assessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Bonds consent to such sale.

Reassessment Installments do not constitute a personal indebtedness of the owners of the parcels within the Reassessment District. There is no assurance the owners will be able to pay the Reassessment Installments or that they will pay such installments even though financially able to do so.

### **Delinquency Resulting in Ultimate or Temporary Loss on Bonds**

If a temporary deficiency occurs in the Redemption Fund with which to pay the principal of or interest on Bonds that have then matured, or the principal and interest on Bonds coming due during the current year, unless it appears to the Treasurer that there will be an ultimate loss to the Bondowners, the Treasurer shall cause the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due, as long as there are available funds in the Redemption Fund, in the order of priority and as required by the Indenture. If it appears to the Treasurer that there is a danger of an ultimate loss accruing to the Bondowners for any reason, the Treasurer is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds and report the facts to the City so that the City may take proper action to equitably protect all Bondowners. See APPENDIX C — “SUMMARY OF INDENTURE.”

### **Non-Cash Payments of Assessments**

The 1915 Act may permit the owner of a parcel that is subject to a Reassessment to tender any Bond secured by such Reassessment in payment or partial payment of any installment of the Reassessment or interest or penalties thereon which may be due or payable. A Bond so tendered is to be accepted at the par amount thereof and credit is to be given for any interest thereon accrued to the date of the tender. Thus, if Bonds can be purchased at a discount, it may be to the advantage of a property owner to pay amounts due with respect to an assessment by tendering a Bond. Such a practice would decrease the cash flow available to the City to make payments with respect to other Bonds then outstanding and could result in a default in payment on the Bonds.

### **Limited Obligation Upon Delinquency**

Pursuant to the 1915 Act, the City has elected not to be obligated to advance funds from the treasury of the City for delinquent Reassessment Installments. The only obligation of the City with respect to such delinquencies and the consequent deficiencies in the Redemption Fund (apart from its duty to commence foreclosure proceedings in certain circumstances; see “SECURITY FOR THE BONDS — Covenant to Foreclose and Judicial Foreclosure Proceedings”) is to advance money to the Redemption Fund from the Reserve Fund. The City has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessment Installments are paid or proceeds from foreclosure sales are realized. There is no assurance that the balance in the Reserve Fund will always be adequate to pay all delinquent Reassessment Installments and if during the period of delinquency there are insufficient funds in the Reserve Fund, a delay may occur in payments to the Bondowners.

### **Property Values**

The value of the property within the Reassessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Reassessment

Installments, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Reassessment Installments. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, droughts, stricter land use regulations or other events will adversely impact the security underlying the assessments. See "THE REASSESSMENT DISTRICT — General Description" herein.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquent Reassessment Installments offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Reassessment Installments. See "SECURITY FOR THE BONDS — Covenant to Foreclose and Judicial Foreclosure Proceedings."

### **Risks of Real Estate Secured Investments Generally**

The Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Reassessment District, the supply of or demand for competitive properties in such area, and the market value of residential property commercial buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

### **Bankruptcy and Foreclosure**

The payment of Reassessments and the ability of the City to foreclose the lien of delinquent Reassessment Installments, as discussed in the section entitled "SECURITY FOR THE BONDS — Covenant to Foreclose and Judicial Foreclosure Proceedings," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the law of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Reassessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior Judicial Foreclosure proceedings and could result in delinquent Reassessment Installments not being paid in full. Where property is encumbered by liens securing mortgage loans, it is highly probable that bankruptcy of a property owner would delay foreclosure for an extended period of time. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

## **Federal Government Interests in Parcels**

The ability of the City to foreclose the lien of delinquent Reassessment Installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal instrumentalities such as the Federal National Mortgage Association (“FNMA”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”), has or obtains an interest.

*FNMA and Freddie Mac.* The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.” The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, state and local governments cannot tax property owned by a federal agency or instrumentality without its consent. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal held that FNMA is a federal instrumentality for purposes of this doctrine, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The court went on to hold that if FNMA has a mortgage interest in a parcel with a delinquent assessment installment, a city cannot sell the parcel at a foreclosure sale unless FNMA’s mortgage interest is protected. For these reasons, the City may be unable to foreclose on property in which a federal agency or instrumentality has a mortgage interest, or may not be able to eliminate the federal mortgage in the course of foreclosing, which could materially adversely affect the City’s ability to foreclose or the amount it receives as a result of a foreclosure or both.

[[DISCUSS There are currently \_\_\_\_\_ parcels within the Reassessment District owned by the FNMA. The aggregate assessed value of such parcels (based on the County Assessor’s fiscal year 2017-18 preliminary roll as of January 1, 2017) is approximately \$\_\_\_\_\_ and such parcels are responsible for approximately \_\_\_% of the Reassessment lien.]]

*FDIC.* In the event that any financial institution making any loan which is secured by real property within the Reassessment District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Reassessment Installments may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent that the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County, California in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the United States Court of Appeals for the Ninth Circuit issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel within the Reassessment District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale.

*Other Federal Agencies.* The City's remedies may also be limited in the case of delinquent Reassessment Installments with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels with Reassessments and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

### **Natural Disasters**

The Reassessment District, like many areas in California, may be subject to unpredictable seismic activity, fires, floods, droughts or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads and property within the Reassessment District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the Reassessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Reassessment Installments when due. In addition, the value of property in the Reassessment District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Reassessment Installments.

### **Hazardous Substances**

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. The value of a parcel may be reduced as a result of a claim with regard to a hazardous substance.

In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA"

or the “Super Fund Act”, is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Reassessment District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is so obligated.

### **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the Bonds or the Indenture.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Future Debt Issuance**

The ability of an owner of land within the Reassessment District to pay the Reassessment Installments could be affected by the existence of other taxes and assessments imposed upon taxable parcels. In addition, the City and other public agencies whose boundaries overlap those of the Reassessment District could impose additional taxes or assessment liens on the property within the Reassessment District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the Reassessment District through the levy of such additional taxes may be on a parity with the lien of the assessments levied by the City. See “THE REASSESSMENT DISTRICT — Direct and Overlapping Indebtedness” herein.

The imposition of additional liens on a parity with the Reassessments may reduce the ability or willingness of the landowners to pay the Reassessment Installments and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Reassessment Installments.

**The City does not have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the Reassessment District. In addition, the landowners within the Reassessment District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments could reduce the estimated value-to-lien ratios for property within the Reassessment District described herein.**

### **Ballot Initiatives**

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

### **Constitutional Amendment – Articles XIIC and XIID**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID (“Article XIID”) to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related reassessments, fees and charges.”

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any reassessment by the City under the Act (including, if applicable, any increase in such reassessment or any supplemental reassessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. The City completed its proceedings for the levy of assessments in the Reassessment District on October 17, 2001, after complying with the procedural requirements of Section 4 of Article XIID. Under Section 10400 of the Act, any challenge to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied.

Article XIIC removes limitations on the initiative power in matters of local taxes, reassessments, fees and charges. Article XIIC does not define the term “reassessment”, and it is unclear whether this term is intended to include reassessments levied under the 1915 Act. In the case of the unpaid reassessments which are pledged as security for payment of the Bonds, the 1915 Act provides a mandatory, statutory duty of the City and the County Auditor to post Reassessment Installments on account of the unpaid reassessments to the property tax roll of the County each year while any of the Bonds are outstanding, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year plus certain administrative costs. It is unlikely that the initiative power can be used to reduce or repeal the unpaid reassessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid reassessments which are pledged as security for payment of the Bonds.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

## TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

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

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Board, the Participating Agencies and others and is subject to the condition that the Board and the Participating Agencies comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Board and the Participating Agencies will covenant to comply with all such requirements.

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

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indentures and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on

any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

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

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

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

The proposed form of Bond Counsel's opinion with respect to the Bonds is attached as Appendix C.

#### **ABSENCE OF LITIGATION**

In connection with the issuance of the Bonds, the City Attorney will deliver a certificate to the effect that, to his actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the City, which would adversely impact the City's ability to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, the validity of the Bonds or the pledge of the Reassessments to repay the Bonds, the Indenture or the transactions described herein.

## **UNDERWRITING**

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (equal to \$\_\_\_\_\_ par value, plus original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter’s compensation is contingent upon the successful issuance of the Bonds.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of holders and beneficial owners of Bonds to provide or cause to be provided certain financial information and operating data relating to the City (the “Annual Report”) by not later than the last day of the end of the ninth month after the end of each fiscal year of the City (presently such fiscal year ends June 30), commencing March 31, 2019 with respect to the Annual Report for Fiscal Year 2017-18, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (“EMMA”) system. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth under the caption APPENDIX E - “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants are made in order to assist the Underwriter in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

The City’s obligations under the Continuing Disclosure Agreement (the “Disclosure Agreement”) shall terminate upon a legal defeasance, prior prepayment or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the owners of the Bonds and Beneficial Owners of the 2016 Certificates and in order to assist the participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) and shall be enforceable by the owners of Bonds, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the City’s obligations under the Disclosure Agreement and any failure by the City to comply with the provisions thereof shall not be an event of default under the Trust Agreement.

The City filed its Annual Reports for Fiscal Years 2012-13, 2013-14 and 2014-15 11 days, 28 days and 37 days late, respectively. In addition, from time to time, the annual reports were not filed under all applicable CUSIP numbers. The City also failed to file certain defeasance notices in a timely manner. The City has implemented procedures designed to assure timely filing in the future, including engaging Digital Assurance Corporation (“DAC”) to provide assistance in future filings.

## **RATING**

Standard & Poor’s Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “\_\_\_” to the Bonds. Such rating reflects only the views of S&P, and explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn

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

### **MUNICIPAL ADVISOR**

The City has retained KNN Public Finance, LLC, Los Angeles, California, as municipal advisor (the “Municipal Advisor”) in connection with the delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

### **CERTAIN LEGAL MATTERS**

Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of the Bonds. A copy of the form of such approving opinion is attached hereto as Appendix C. Copies of such approving opinion will accompany each Bond. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Katten Muchin Rosenman LLP, and for the Fiscal Agent by its counsel. Certain legal matters will be passed upon for the City by Richards Watson & Gershon, P.C., City Attorney.

### **MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of the Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF MANHATTAN BEACH, CALIFORNIA

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Mayor

**APPENDIX A**  
**REASSESSMENT DIAGRAM**

## APPENDIX B

### SUMMARY OF INDENTURE

*The following is a summary of certain definitions and provisions of the Indenture which are not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.*

### DEFINITIONS

**Definitions.** Unless the context otherwise requires, the following terms shall have the following meanings in the Indenture:

“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 the Indenture.

“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 District 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 under the Indenture (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 under the Indenture and, in the case of the City, in any way related to the administration of the Reassessment District.

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

“Authorized Representative of the City” means the Mayor, the City Manager, the Finance Director, General Manager of the City, or any of their designees, or any other person or persons designated by the City Council and authorized to act on behalf of the City.

“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.

“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 the Indenture, 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 issued pursuant to the Resolution of Issuance and the 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” means the City of Manhattan Beach, California.

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

“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 the Indenture.

“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 the Indenture.

“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 the Indenture 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.

“Fitch” means Fitch Ratings, 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, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“Indenture” means the Indenture dated as of March 1, 2018, by and between the City and the Fiscal Agent, as amended or supplemented pursuant to the terms thereof.

“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 District; 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 the Indenture.

“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 the Indenture; and
- (3) Bonds defeased pursuant to the Indenture.

“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 District; 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.

“Reassessment” or “Reassessments” means the special reassessments levied in the Reassessment District 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 the Indenture.

“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 the Indenture in which there are established the accounts described in the Indenture.

“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 the Indenture.

“Refunded 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.

“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 the Indenture.

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

“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. \_\_\_\_\_, adopted by the City Council on January 16, 2018, authorizing the issuance of the Bonds and approving the terms and provisions of the Indenture.

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

“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, or his or her designee, to perform the tasks assigned to the Superintendent of Streets in the Act.

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

**Equality of Bonds; Pledge of Reassessments and Reassessment Installments; No Obligation to Cure Deficiency.** Pursuant to the Act and the 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 set aside by the Indenture 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, the Indenture or any Supplemental Indenture.

Nothing in the 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.

## **AUTHORIZATION AND ISSUANCE OF BONDS**

**Authorization and Designation of Bonds.** The City has reviewed all proceedings taken relative to the authorization of the Bonds and has found, as a result of such review, and 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 of the Indenture, to issue the Bonds upon the security of the Reassessments in the aggregate principal amount and in the form and manner provided in the Indenture, which Bonds, upon their issuance, shall be entitled to the benefit, protection and security of the provisions of the Indenture.

**Type and Nature of Bonds; Limited Liability.** Notwithstanding anything contained in the Indenture, 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 District or the proceedings for the Reassessment to the contrary, all Bonds authorized pursuant to the 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 District 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 Board of Directors, 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 District, 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 District.

**Terms of the Bonds.** 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 shall be paid without presentment or surrender of the Bonds.

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 the Indenture.

From and after the issuance of the Bonds, the findings and determinations of the Board of Directors 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 to the Indenture 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 of the Indenture, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the purchase price thereof received.

**Execution and Authentication.** The Bonds shall be signed on behalf of the City by the manual or facsimile signatures of the Treasurer and the 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 of the Indenture 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.

**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 the Indenture, 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 the 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 in the Indenture with respect to Record Dates, the word Nominee in the Indenture shall refer to such new nominee of the Depository.

**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 the Indenture 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 authorized by the Indenture to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for the Depository's book entry program.

**Payments to the Nominee.** Notwithstanding any other provisions of the 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.

**Initial Depository and Nominee.** The initial Depository under the Indenture 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.

**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 the Indenture.

**Registration, Exchange or Transfer.** Under the circumstances described in the Indenture 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.

**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 provided in the Indenture.

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.

**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 of the Indenture with all other Bonds issued under the Indenture. 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 under the Indenture, but both the original and replacement bond shall be treated as one and the same. Notwithstanding any other provision of the Indenture, 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.

## **REDEMPTION OF BONDS**

**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.

**Effect of Notice and Availability of Redemption Money.** Notice of redemption having been duly given, as provided in the Indenture, 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 the Indenture, anything in the 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 the 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.

## **CREATION OF FUNDS AND ACCOUNTS; APPLICATION OF PROCEEDS AND ASSESSMENTS**

**Costs of Issuance Fund.** The Fiscal Agent shall deposit into the Costs of Issuance Fund the amounts specified in the Indenture. 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 the Indenture. 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.

**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.

**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, 2018, 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) 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) 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, after all principal (including mandatory sinking fund payments) 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 the Indenture, shall be used to redeem Bonds pursuant to the Indenture 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 the Indenture.

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.

**Rebate Fund.** (a) The Fiscal Agent shall establish and maintain a fund separate from any other fund established and maintained under the Indenture 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 the Indenture 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 the Indenture 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 in the Indenture, shall not be required to take any actions under the Indenture 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 the Indenture.

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 the Indenture.

(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 Rebateable 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 Rebateable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebateable 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) above 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 the Indenture to the contrary, the obligation to comply with the requirements of the Indenture 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 of the Indenture 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.

**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 the Indenture.

## INVESTMENTS

**Investments.** Moneys held in any of the funds and accounts under the 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 under the Indenture.

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 set forth in the Indenture 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 the 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 the Indenture shall be retained therein, except to the extent that transfers from such funds or accounts are authorized in the Indenture. For investment purposes only, the Fiscal Agent may commingle the funds and accounts established under the Indenture, and administered by the Fiscal Agent, but shall account for each separately.

Notwithstanding anything to the contrary contained in the Indenture, 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 the 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 the 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 the 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 under the Indenture 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 under the Indenture; provided, however, that the City retains its right to receive brokerage confirmation on any investment transaction requested by the City.

## **COVENANTS AND WARRANTY**

**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.

**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 the 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 of the Indenture, 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 the Indenture. All such Reassessment Installments, whether received by the City in trust or deposited with the Fiscal Agent, all as provided in the Indenture, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, 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 under the Indenture, 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 the 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 the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplements and of the Bonds issued under the Indenture. 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 the Indenture, 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 under the Indenture. 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 the 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 in the Indenture. 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 the Indenture.

(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.

**Continuing Disclosure.** The City covenants and agrees that it will comply with and carry out all the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, a failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of

default under the Indenture; 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.

## **AMENDMENTS TO AGREEMENT**

**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 to the Indenture for any of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provisions in the Indenture 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 the Indenture, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture 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 the Indenture in any other respect which is not materially adverse to the Beneficial Owners.

**Amendments Requiring Bondowner Consent.** Exclusive of the Supplements described in the Indenture, 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 the Indenture; provided, however, that nothing in the Indenture 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 the Indenture 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 the Indenture. 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 the Indenture.

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 the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the City, the Fiscal Agent and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

No Supplement pursuant to the Indenture 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 the Indenture and the Fiscal Agent may conclusively rely upon such opinion.

**Notation of Bonds; Delivery of Amended Bonds.** After the effective date of any action taken as provided in the Indenture, 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.

## **FISCAL AGENT**

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

The Fiscal Agent is 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 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 the 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 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 the Indenture. 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 the Indenture 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 under the Indenture only such fees as are set forth therein; and the Fiscal Agent shall be entitled to be reimbursed by the City for its other reasonable expenses under the Indenture, 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 under the Indenture. 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 under the Indenture, 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 the Indenture, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

**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.

**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.

**Liability of Fiscal Agent.** The recitals of fact and all promises, covenants and agreements contained in the Indenture 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 the 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 in the Indenture 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 in the Indenture and no implied duties, covenants or obligations shall be read into the 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 under the Indenture, 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 the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the City pursuant to the Indenture or otherwise; provided however that the Fiscal Agent provide the Bondowners with notice of event of default under the Indenture.

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 under the Indenture 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 the Indenture the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) 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 the 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 under the Indenture, 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 the 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 under the Indenture, 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 under the Indenture 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 of the Indenture and perform the duties required of it under the Indenture 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 under the Indenture.

The Fiscal Agent shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Fiscal Agent shall only perform those duties specifically set forth in the Indenture and no implied duties, covenants or obligations whatsoever shall be read into the 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 under the Indenture 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 under the Indenture 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 District, 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 the Indenture shall look only to the funds and accounts held by the Fiscal Agent under the Indenture for payment, except as otherwise provided in the Indenture or where the Fiscal Agent has breached its standard of care as described in the Indenture. 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 under the Indenture. In the event of conflicting instructions under the Indenture, 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 under the Indenture unless it has actual knowledge thereof at its Principal Office.

**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.

**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.

## **EVENTS OF DEFAULT; REMEDIES**

**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 the 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.

**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 the Indenture and to enforce any rights of the Fiscal Agent under the Indenture, 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 the 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 the Indenture, as the Fiscal Agent, being advised by counsel, shall deem most expedient in the interests of the Owners.

No remedy conferred in the Indenture 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 under the Indenture 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.

## **DEFEASANCE**

**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 the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Reassessments and other amounts under the Indenture, and all covenants, agreements and other obligations of the City to the Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied except for the City's covenant under the Indenture. 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 under the Indenture all money or securities held by it pursuant to the 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 Indenture 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 the 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 the Indenture. 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 under the Indenture shall be paid over to the City.

## MISCELLANEOUS

**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 in the Indenture 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.

**Execution of Documents and Proof of Ownership.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the 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 the Indenture (except as otherwise provided in the Indenture), 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 the 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 stated in the Indenture 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.

**Unclaimed Moneys.** Anything in the 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.

**Provisions Constitute Contract; Successors.** The provisions of the Indenture shall constitute a contract between the City and the Bondowners and the provisions of the Indenture 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 the Indenture and shall be entitled to enforce the provisions of the Indenture against the City and the Fiscal Agent in the same manner as if the Bondholders were parties to the Indenture.

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 District 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 the Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

The 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.

**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 the Indenture, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

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

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

**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 the 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 the Indenture.

**APPENDIX C**  
**FORM OF APPROVING LEGAL OPINION**

## APPENDIX D

### BOOK-ENTRY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Fiscal Agent's DTC account.

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

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

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**