

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 19, 2020**

**NEW ISSUE – BOOK ENTRY ONLY**

**RATING** (see “Rating” herein)

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the City, subject to certain qualifications described in the Official Statement, under existing statutes, regulations, rules and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Official Statement, the 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 the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. See “CONCLUDING INFORMATION—Tax Matters” herein.*

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**CITY OF MANHATTAN BEACH  
ASSESSMENT DISTRICT NO. 19-4  
LIMITED OBLIGATION IMPROVEMENT BONDS  
2020 SERIES A**

**Dated: Date of Delivery**

**Due: September 2, as shown inside cover**

The City of Manhattan Beach Assessment District No. 19-4 Limited Obligation Improvement Bonds 2020 Series A (the “Bonds”) are limited obligations of the City of Manhattan Beach (the “City”) secured by special assessments to be levied on real property located within the City of Manhattan Beach Assessment District No. 19-4 (the “Assessment District”).

The design and undergrounding of certain utilities within the Assessment District (the “Improvements”) being financed by the Assessment District and the levy of special assessments will be undertaken as provided by the Municipal Improvement Act of 1913. The Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 and a Fiscal Agent Agreement dated as of March 1, 2020 (the “Fiscal Agent Agreement”) by and between the City and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”) to (i) fund the Reserve Fund for the Bonds, (ii) finance capitalized interest on the Bonds through September 2, 2020, (iii) pay costs of issuance, (iv) reimburse the City for the costs of forming the Assessment District, and (v) pay the costs of the Improvements. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE ASSESSMENT DISTRICT” herein.

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) in the denomination of \$5,000 or any integral multiple thereof. Interest is payable semiannually on March 2 and September 2 of each year, commencing September 2, 2020. Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal and interest on the Bonds will be paid by the Fiscal Agent directly to the registered owner of the Bonds. Upon receipt of payments of principal and interest on Bonds registered to its nominee, DTC is to remit such principal and interest to DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of such Bonds. See APPENDIX E—“BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to maturity as described under “THE BONDS—Redemption of Bonds” herein.

Under the provisions of the Improvement Bond Act of 1915, installments of principal and interest 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 Assessment District against which there are unpaid assessments. Upon receipt by the City from the County, these annual assessment installments are to be deposited into the Assessment Fund to be held by the City and used to pay debt service on the Bonds as they become due. The Bonds will be secured by a pledge and lien on the assessments and moneys on deposit in the Assessment Fund.

**Unpaid assessments constitute fixed liens on the parcels assessed within the Assessment District and do not constitute a personal indebtedness of the respective owners of such parcels. Accordingly, in the event of a delinquency, proceedings may be taken only against the real property securing the delinquent assessment. Thus, the value of land within the Assessment District is a critical factor in determining the investment quality of the Bonds. See “THE ASSESSMENT DISTRICT—Value-to-Assessment Lien Ratios” and “BONDOWNERS’ RISKS—Land Values” herein.**

The Fiscal Agent will establish a Reserve Fund and deposit therein Bond proceeds in the amount of the Reserve Requirement to provide funds for payment of principal and interest on the Bonds in the event of any delinquent assessment 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

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\* Preliminary, subject to change.

foreclosure in the event of a delinquency as described herein. See “SECURITY FOR THE BONDS—Covenant to Foreclose and Court Foreclosure Proceedings.”

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

*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, “BONDOWNERS’ RISKS,” to obtain information essential to the making of an informed investment decision.*

*The Bonds are offered when, as and if issued and delivered to the Underwriter subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel and Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Katten Muchin Rosenman LLP. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about March 11, 2020.*

**BofA Securities**

Dated: March \_\_, 2020

\$ \_\_\_\_\_ \*

**CITY OF MANHATTAN BEACH  
ASSESSMENT DISTRICT NO. 19-4  
LIMITED OBLIGATION IMPROVEMENT BONDS  
2020 SERIES A**

**BASE CUSIP<sup>†</sup>: \_\_\_\_\_  
MATURITY SCHEDULE**

<i><b>Maturity Date (September 2)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>†</sup></b></i>
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					

C      Priced to par call on September 2, 20\_\_.

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\* Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

**CITY OF MANHATTAN BEACH  
COUNTY OF LOS ANGELES, CALIFORNIA**

*Nancy Hersman, Mayor  
Richard Montgomery, Mayor Pro Tem  
Suzanne Hadley, Council Member  
Steve Napolitano, Council Member  
Hildy Stern, Council Member*

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**CITY OFFICIALS**

*Timothy J. Lilligren, City Treasurer  
Bruce Moe, City Manager  
Steve S. Charelian, Finance Director  
Henry Mitzner, City Controller  
Stephanie Katsouleas, Public Works Director  
Libby Bretthauer-Long, Senior 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

***Assessment Engineer***

NV5  
Irvine, California

***Municipal Advisor***

KNN Public Finance LLC  
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 a nationally recognized municipal securities depository.

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

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

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 affairs of the City, the landowners within the City or any other parties described herein since the date hereof. All summaries of the Fiscal Agent Agreement 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.

While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City.

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 ASSESSMENT 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. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**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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## ASSESSMENT DISTRICT AERIAL



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**CITY OF MANHATTAN BEACH  
ASSESSMENT DISTRICT NO. 19-4  
LIMITED OBLIGATION IMPROVEMENT BONDS  
2020 SERIES A**

**INTRODUCTION**

**Purpose**

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 (the “City”) of the \$ \_\_\_\_\_ City of Manhattan Beach Assessment District No. 19-4 Limited Obligation Improvement Bonds 2020 Series A (the “Bonds”). The proceeds of the Bonds will be used to (i) fund the Reserve Fund for the Bonds, (ii) finance capitalized interest on the Bonds through September 2, 2020, (iii) pay costs of issuance, (iv) reimburse the City for the costs of forming the Assessment District, and (v) pay the costs for the design and undergrounding of certain utilities (the “Improvements”) within the City of Manhattan Beach Assessment District No. 19-4 (the “Assessment District”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE ASSESSMENT DISTRICT” herein.

The Bonds are to be issued pursuant to a Fiscal Agent Agreement by and between the City and U.S. Bank National Association (the “Fiscal Agent”), dated as of March 1, 2020 (the “Fiscal Agent Agreement”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon the Assessments (as defined therein) and all moneys on deposit in the Assessment Fund, the Redemption Fund and the Reserve Fund. See “SECURITY FOR THE BONDS.”

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, this entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined herein shall have the meanings set forth in APPENDIX C—“SUMMARY OF THE FISCAL AGENT AGREEMENT—Definitions” herein.

**Forward Looking Statements**

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 a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “THE ASSESSMENT 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. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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\* Preliminary, subject to change.



## **The Assessment District**

The Assessment District is located in the northwest portion of the City in an area generally bounded Ardmore Avenue to the west, Sepulveda Boulevard to the east, Boundary Place to the south, and 2<sup>nd</sup> Street to the north.. There are \_\_\_ parcels in the Assessment District with unpaid assessments securing the Bonds. All parcels with unpaid Assessments have been developed. See “THE ASSESSMENT DISTRICT” herein.

Assessment proceedings were initiated by the City Council of the City pursuant to the Municipal Improvement Act of 1913, Division 12 of the California Streets and Highways Code (the “Act”) by adoption of Resolution No. 19-0103 on November 19, 2019, declaring its intention to form the Assessment District. NV5, California, (the “Assessment Engineer”), prepared a written report which contained among other things, the proposed assessment for each parcel of land in the Assessment District. The written report was filed and preliminarily approved by the City Council by Resolution No. 19-0104 adopted on November 19, 2019 (the “Engineer’s Report”). On January 7, 2020, a public hearing was duly held as noticed, and all persons interested and desiring to be heard were given an opportunity to speak and be heard, and all matters pertaining to the levy were fully heard and considered by the City Council, and all oral statements and all written protests or communications were duly considered. Following the public hearing, the assessment ballots were tabulated by the Assessment Engineer and the City Clerk and it was found that a majority protest as defined by Article XIID of the California Constitution did not exist. On January 7, 2020 the City Council adopted its resolution confirming the proposed assessments. The City confirmed a total assessment of \$7,255,000 and recorded such confirmed assessments. After confirmation and recordation, the assessments became liens against the various assessed parcels.

All property owners in the Assessment District were then given mailed notice of the opportunity to pay all or a portion of their Assessments in cash after the recording of the Assessments. Originally, there were 167 assessed parcels with Assessments totaling \$7,255,000. During the cash prepayment period, \_\_\_ parcels fully prepaid their Assessments and \_\_\_ parcels partially prepaid their Assessments. There remains \$\_\_\_\_\_ of unpaid Assessments securing the Bonds (the “Assessments”). See “SECURITY FOR THE BONDS.”

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

The aggregate assessed value of the parcels in the Assessment District with unpaid Assessments, as shown in the County of Los Angeles assessor’s roll for fiscal year 2019-20, was \$\_\_\_\_\_. The ratio of the assessed value of such parcels to the total amount of the unpaid Assessments, is approximately \_\_\_ to 1 (not including any overlapping debt of other taxing entities with respect to such properties). See “THE ASSESSMENT DISTRICT—Value-to-Lien Assessment Ratios” for certain value-to-lien information with respect to the parcels within the Assessment District.

## **No Additional Bonds**

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

## **The Improvements**

Bond proceeds will primarily be used to provide financing to underground overhead power, telephone and cable facilities in the Assessment District. The proposed underground utility improvements will provide conversion to an upgraded utility system and are expected to enhance neighborhood aesthetics, safety and reliability. See APPENDIX B -“ENGINEER’S REPORT.”

## **Professionals Involved in the Offering**

U.S. Bank National Association, Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement. KNN Public Finance, Los Angeles, California, will act as Municipal Advisor to the City in connection with the Bonds. The legal proceedings in connection with the issuance and delivery of the Bonds are subject to the approval as to their legality of Stradling Yocca Carlson & Rauth, a Professional Corporation, Manhattan Beach,

California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Nixon Peabody LLP, Irvine, California. Other professional services have been performed by NV5, Irvine, California, as Assessment Engineer.

For information concerning financial or other interests 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 has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual financial information and operating data. The City has further agreed to provide notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). See “CONCLUDING INFORMATION—Continuing Disclosure” herein and Appendix F hereto for a description of the specific nature of the annual reports and notices of enumerated 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 “BONDOWNERS’ RISKS” 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. See “BONDOWNERS RISKS” herein.

### **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 Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council 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 Fiscal Agent Agreement. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the Continuing Disclosure Certificate 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.

## ESTIMATED SOURCES AND USES OF FUNDS

The Fiscal Agent will receive the proceeds from the sale of the Bonds upon delivery of such Bonds to the purchasers thereof. The proceeds of the Bonds will be applied as set forth in the following table:

### SOURCES:

Par Amount of Bonds	\$ _____
Plus Net Original Issue Premium	
Less Underwriter's Discount	_____
Total Sources	<u><u>\$ _____</u></u>

### USES:

Improvement Fund <sup>(1)</sup>	\$ _____
Costs of Issuance Fund <sup>(2)</sup>	
Interest Account <sup>(3)</sup>	
Reserve Fund	_____
Total Uses	<u><u>\$ _____</u></u>

<sup>(1)</sup> Amounts to be used to finance the construction of the Improvements.

<sup>(2)</sup> Includes costs of issuance, such as Fiscal Agent, Municipal Advisor, Bond Counsel and Disclosure Counsel fees and costs, printing costs and other related costs for the issuance of Bonds, reimbursable expenses of the City, certain upfront design and engineering costs and the costs of the formation of the Assessment District.

<sup>(3)</sup> To fund interest on the Bonds through September 2, 2020.

## THE BONDS

### General

The \$\_\_\_\_\_ aggregate principal amount of the Bonds was authorized for issuance by a resolution adopted by the City Council of the City and are being issued by the City pursuant to the Act and the Fiscal Agent Agreement between the City and the Fiscal Agent.

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 semiannually on March 2 and September 2 of each year until maturity commencing September 2, 2020. 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 thereof unless (i) it is authenticated after a 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, if no interest has previously been paid or made available for payment on the Outstanding Bonds.

Interest on the Bonds is payable by the Fiscal Agent on each Interest Payment Date, until the principal amount of a Bond including mandatory sinking fund payments thereon, if any, has been paid or made available for payment, 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 held in book-entry form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), 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" herein.

## Redemption of Bonds

**Optional Redemption.** The Bonds maturing on or after September 2, 2027 are subject to redemption prior to their stated maturity dates on any Interest Payment Date on and after September 2, 2026 from such maturities as selected by the City, from any source of funds other than Prepayment of Assessments, including, but not limited to, surplus monies on deposit in the Improvement Fund, at the following redemption prices (expressed as a percentage of the principal amount being redeemed), together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Prices</i>
September 2, 2026 and March 2, 2027	103%
September 2, 2027 and March 2, 2028	102
September 2, 2028 and March 2, 2029	101
September 2, 2029 and any Interest Payment Date thereafter	100

**Mandatory Redemption From Assessment Prepayments.** Whenever, as of an Interest Payment Date, there are sufficient funds in the Prepayment Account of the Redemption Fund from the proceeds of prepayments of Assessments, the Bonds shall be called for redemption as provided in Part 11.1 of the Improvement Bond Act of 1915 (the “1915 Act”). Each Bond, or any portion thereof, in the principal amount of \$5,000 or any integral multiple thereof, may be redeemed and paid in advance of maturity on any Interest Payment Date in any year pro rata among maturities, by giving notice to the Owner thereof and by paying the principal amount thereof, plus interest to the date of redemption, unless sooner surrendered, in which event said interest will be paid to the date of payment, together with a redemption premium (expressed as percentages of the principal amount of the Bonds to be redeemed) at the following redemption prices:

<i>Redemption Date</i>	<i>Redemption Prices</i>
Interest Payment Dates on or prior to March 2, 2027	103%
September 2, 2027 and March 2, 2028	102
September 2, 2028 and March 2, 2029	101
September 2, 2029 and any Interest Payment Date thereafter	100

Mandatory redemption from prepayments of Assessments could reduce the otherwise expected yield on the Bonds. See “BONDOWNERS’ RISKS – Potential Early Redemption of Bonds from Prepayments or Other Sources.”

## Purchase of Bonds

In lieu of payment at maturity or redemption, moneys in the Redemption Fund may be used and withdrawn by the Fiscal Agent for purchase of outstanding Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus the premium, if any, which would be paid upon redemption, plus interest accrued to the date of purchase.

## Notice of Redemption

With respect to the Bonds held in book-entry form, notices of redemption will be mailed only to The Depository Trust Company and not to any beneficial owner of the Bonds.

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 registration books 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.

A notice of redemption for optional redemption may be conditioned on the receipt by the City of sufficient funds to effect the redemption. If sufficient funds are not received by the City by the redemption date, the redemption shall not occur and the Bonds will remain outstanding under the Fiscal Agent Agreement. If any redemption is cancelled due to lack of sufficient funds, the Fiscal Agent shall mail a notice to the Bondowners stating that such redemption was cancelled and did not occur.

### **Selection of Bonds for Redemption**

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, the City shall select the Bonds for redemption in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity of the Bonds insofar as possible. The Fiscal Agent shall select the particular Bonds to be redeemed from each maturity by lot.

### **Refunding Bonds**

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

### **Registration, Exchange or Transfer**

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 of other authorized denominations of the same maturity. 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 or Bonds of the same maturity 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.

## Annual Debt Service

Table 1 below sets forth the annualized debt service on the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement assuming no earlier redemption thereof (other than mandatory sinking fund redemption, if any).

**TABLE 1**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**  
**2020 Series A**

### Annualized Debt Service

<i>Year Ending September 2</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020*			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
Total			

\*To be paid from capitalized interest.

## 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 Assessments and from the funds pledged therefor under the Fiscal Agent Agreement. 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 Fiscal Agent Agreement, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund.**

## **Assessment Liens and Installments**

The Bonds are issued upon and secured by and payable solely from the unpaid Assessments on parcels of property within the Assessment District together with interest thereon, and such unpaid Assessments, together with interest thereon, constitute a fund for the redemption and payment of the principal, including mandatory sinking fund payments, if any, of the Bonds and the interest thereon and premium, if any. The Bonds are secured by the moneys in the Assessment Fund, the Redemption Fund and the Reserve Fund created pursuant to the Fiscal Agent Agreement. Amounts in the Reserve Fund will secure the payment of debt service on the Bonds.

**THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF LOS ANGELES OR THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR IS THE FULL FAITH AND CREDIT OF THE CITY, THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS PLEDGED TO THE PAYMENT OF THE BONDS.**

Although the unpaid Assessments 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 unpaid Assessments when due. See “BONDOWNERS’ RISKS” herein.

The unpaid Assessments will be collected in annual installments, together with interest, on the County secured tax roll on which general taxes on real property are collected (the “Assessment Installments”). The Annual Installments will also include an amount for the payment of administrative expenses in the amount set forth in the Engineer’s Report; such amounts are not available to pay debt service on the Bonds. The Assessment 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 general taxes. The properties upon which the Assessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. The City shall immediately deposit the annual Assessment Installments into the Assessment Fund held by the City upon receipt from the County. Amounts in the Assessment Fund shall secure the payment of debt service on the Bonds. On or prior to the first day of March and September of each year, the City shall transfer to the Fiscal Agent for deposit into the Redemption Fund and the Reserve Fund the amount required in the Fiscal Agent Agreement.

The Assessment Installments billed against each of the parcels in the Assessment District each year represent a pro rata share of the total principal, including mandatory sinking fund payments, if any, and interest coming due on all of the Bonds that year, including any amounts needed to replenish the Reserve Fund. The amount billed against each parcel is based on the percentage which the unpaid Assessment against the property bears to the total of unpaid Assessments in the Assessment District. The failure of a property owner to pay an annual Assessment Installment will not result in an increase in Assessment Installments against other property in the Assessment District.

Each property owner has a statutory right to prepay the Assessment on a parcel in whole or in part on any date. Amounts received as prepaid Assessments 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 Assessment Prepayments.”

## **Limited Obligation Upon Delinquency**

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND ARE PAYABLE SOLELY FROM THE ASSESSMENTS AND THE ASSETS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT. THE CITY HAS DETERMINED NOT TO OBLIGATE ITSELF AND HAS NO LEGAL OR MORAL OBLIGATION TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO PAY BOND DEBT SERVICE IN THE EVENT OF DELINQUENT ASSESSMENT INSTALLMENTS. BONDOWNERS SHOULD NOT RELY UPON THE CITY TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO THE REDEMPTION FUND. NOTWITHSTANDING THE FOREGOING, THE CITY MAY, AT ITS SOLE OPTION AND IN ITS SOLE DISCRETION, ELECT TO ADVANCE SUCH FUNDS.

## **Reserve Fund**

The Fiscal Agent Agreement provides that a Reserve Fund must be maintained. As established by the Fiscal Agent Agreement, the Reserve Fund is to be 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, 50% of the then maximum annual debt service due on the Bonds. Upon issuance of the Bonds, the Reserve Requirement shall be \$\_\_\_\_\_. 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, including mandatory sinking fund payments, if any, 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 FISCAL AGENT AGREEMENT."

In connection with an Assessment prepayment, the amount of each Assessment 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 Fiscal Agent Agreement, the Fiscal Agent is to transfer the portion of the balance then in the Reserve Fund equal to the proportion that the Assessment prepaid bears to the total of all Assessments remaining unpaid as of such date. The City shall notify, or shall cause the Fiscal Agent to be notified of the amount so transferred. 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, including mandatory sinking fund payments, if any, or interest on the Bonds, the Fiscal Agent shall transfer from the Reserve Fund for deposit into the Redemption Fund an amount necessary to satisfy such deficiency. The City agrees in the Fiscal Agent Agreement that if such insufficiency was caused by delinquent payment of Assessment Installments, then an amount equal to the amount so transferred shall be reimbursed and transferred by the City to the Fiscal Agent, for deposit in the Reserve Fund from the proceeds of redemption or sale of the delinquent parcel.

If at any time the amount of interest earned by the investment of any portion of the Reserve Fund, together with the principal amount in the Reserve Fund, shall exceed the Reserve Requirement, such excess shall, at the written direction of the City, be transferred by the Fiscal Agent to the Redemption Fund and shall be credited by the City upon the unpaid Assessments in the manner set for the in the 1913 Act.

Whenever the balance in the Reserve Fund and the Redemption Fund is sufficient to retire all the remaining outstanding Bonds, the Fiscal Agent shall transfer at the written direction of the City the balance in the Reserve Fund to the Redemption Fund and the City shall cease the collection of the principal and interest on the unpaid Assessments. In such case, the City shall credit the balance so transferred against the Assessments remaining unpaid in the manner set forth in the 1915 Act.

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



## **Covenant to Foreclosure and Court Foreclosure Proceedings**

The 1913 Act provides that in the event any Assessment or installment thereof or any interest thereon is not paid when due, the City may order the institution of a court action to foreclose the lien of the unpaid Assessment. In such an action, the real property subject to the Assessment 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 an Assessment 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 Assessment installments if both (a) the aggregate amount of such delinquent Assessment installments does not exceed five percent (5%) of the Assessment 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 Assessment installments to be sold for an amount not less than all Assessment 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 Assessment 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 **“BONDOWNERS’ RISKS” herein.**

## **Priority of Assessment Lien**

The Assessments (and any further assessment or reassessment) 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 ASSESSMENT DISTRICT—Direct and Overlapping Indebtedness”** and **“BONDOWNERS’ RISKS—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 Assessments. See “THE BONDS—Refunding Bonds” above.

## **THE CITY**

The City 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.

## **THE ASSESSMENT DISTRICT**

### **Description of the Assessment District**

The property in the Assessment District consists of a variety of completed structures. Originally, there were 167 assessed parcels with Assessments totaling \$7,255,000. During the cash prepayment period, \_\_ parcels fully prepaid their Assessments. There remains \$\_\_\_\_\_ of unpaid Assessments secured against the remaining parcels within the Assessment District. The first installment of Assessments is expected to be levied in Fiscal Year 2019-20. The Assessment District is located in an area generally bounded by.

The aggregate assessed value of parcels in the Assessment District with unpaid Assessments was \$\_\_\_\_\_ for Fiscal Year 2019-20. The Improvements financed by the Assessment District will consist of the design and undergrounding of certain utilities within the Assessment District. Costs of the Improvements are estimated to be \$7,255,000. See “ESTIMATED SOURCES AND USES OF FUNDS.” Any surplus monies on deposit in the Improvement Fund may be used to redeem Bonds. See “THE BONDS—Redemption of Bonds.”

### **Description of Improvements**

The Assessment District was formed to provide financing to underground power, telephone and cable facilities within the Assessment District. The proposed underground utility improvements will provide conversion to an upgraded utility system and will enhance neighborhood aesthetics, safety and reliability. The undergrounding project is expected to be completed by the end of [2022] and each parcel will be responsible for connecting to the undergrounded utilities after project completion at its owner’s expense.

The following table shows a summary of the District Improvement Project Cost Estimate as contained in the Final Engineer's Report prepared by the Assessment Engineer, a copy of which is attached hereto as Appendix B.

**TABLE 2**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**ENGINEER'S ESTIMATE OF COSTS AND EXPENSES**

**UTILITY ENGINEERING & CONSTRUCTION**

Contractor Utility Structures	\$ 3,998,090.00
Southern California Edison	952,347.49
Charter	235,800.50
Frontier	283,101.62
Contingency 10%	527,961.36
<b>Total Construction:</b>	<b>\$ 5,997,300.97</b>

**INCIDENTAL EXPENSES<sup>(1)</sup>**

<b>Total Incidental Expenses:</b>	<b>\$ 628,271.25</b>
<b>Total Construction and Incidental Expenses:</b>	<b>\$ 6,625,572.22</b>

**BOND COSTS<sup>(2)</sup>**

<b>Total Bond Costs<sup>(3)</sup>:</b>	<b>\$ 629,427.78</b>
<b>TOTAL ESTIMATE:</b>	<b>\$ 7,255,000.00</b>

<sup>(1)</sup> Includes costs for inspection, engineering, administration, printing, consultants and legal fees.

<sup>(2)</sup> Includes Bond Reserve, Underwriter's Discount and Capitalized Interest.

<sup>(3)</sup> Amount shown does not include savings due to payments received during cash collection period. Amount shown also does not reflect reduction in Debt Service Reserve Fund deposit from amount assumed in Engineer's Report.

Source: Assessment Engineer's Report.

**Formation Proceedings**

The City Council has taken proceedings under the 1913 Act for the formation of the Assessment District and has confirmed the Assessments, which Assessments and a related diagram were recorded in the office of the Superintendent of Streets, and with the County Recorder of the County. A notice of assessment, as prescribed in Section 3114 of the Streets and Highways Code, was recorded with the County Recorder of the County, whereupon the Assessments attached as a lien upon the property assessed within the Assessment District as provided in Section 3115 of the Streets and Highways Code. On January 7, 2020 the City Council conducted a duly noticed public hearing regarding the formation of the Assessment District. As of the close of the public hearing, there was no majority protest. Property owners were then given an opportunity to prepay their assessments in cash or to pay them in annual installments following the issuance of the Bonds. At the end of the cash collection period, a list of unpaid assessments was filed with the Director of Finance of the City, acting as treasurer pursuant to Section 8620 of the 1915 Act totaling \$\_\_\_\_\_.

**Allocation of Assessments**

The Assessment District was formed under the authority of the Act and Article XIII D of the California State Constitution, together with its implementing legislation (collectively "Proposition 218"), which require that local agencies levy assessments according to the special benefit and prescribe the procedures for such levy. Costs and expenses of the proposed Improvements must be apportioned against the parcels in the Assessment District by a formula which proportionally and equitably distributes the costs in direct proportion to the estimated special benefits these parcels receive from the Improvements. Neither the Act or Proposition 218 specifies the method that is used to apportion the benefits.

In the Engineer's Report, the engineer identified the benefits the proposed Improvements will render to the properties within the Assessment District and determined that the property owners will receive a unique and special benefit distinguished from general benefits to the area at large. The unique and special benefit from the Improvements identified in the Engineer's Report is the enhancement of neighborhood aesthetics, safety and reliability which will provide a higher level of utility service and increase the desirability and specifically enhance the values of the properties within the Assessment District. See APPENDIX B - "ENGINEER'S REPORT" herein for a description of the method of apportionment of the assessments. Assessments before prepayments range from a high of \$61,209.47 to a low of \$28,529.32 depending on the special benefit each property will receive from the Improvements as set forth in the Engineer's Report confirmed by the City Council.

#### **Maximum Annual Assessment for Administrative Costs and Expenses**

The costs associated with administering the Assessment District will be spread to each parcel in the Assessment District with unpaid Assessments on a pro-rata basis. Administrative costs for the Assessment District cannot exceed a total of \$50 per parcel per year, subject to an annual increase based on the U.S. Consumer Price Index, All Urban Consumers, for Los Angeles-Riverside-Los Angeles County, as of January 1 of each year. Costs of administering the Assessment District will first be paid in Fiscal Year 2019-20.

#### **Value-to-Assessment Lien Ratios**

The value of the land within the Assessment District with unpaid Assessments is significant because in the event of a delinquency in the payment of Assessment Installments, the Assessment District may foreclose only against delinquent parcels. The assessed value of the property within the Assessment District with unpaid Assessments was \$\_\_\_\_\_ for fiscal year 2019-20. As a result of Proposition 13, assessed values generally increase by no more than two percent annually. See "BONDOWNERS' RISKS – Property Values." Based on fiscal year 2019-20 assessed values and the unpaid Assessments, the parcels within the Assessment District with unpaid Assessments have an aggregated assessed value-to-assessment lien ratio of \_\_\_\_\_ to 1 (not including any overlapping debt of other taxing entities with respect to such properties). Table 3 below categorizes the parcels with unpaid Assessments within the Assessment District by value-to-lien range. For purposes of calculating the value-to-lien range, "Overlapping Debt" as set forth in the table is not included.

**TABLE 3**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**VALUE-TO-ASSESSMENT LIEN RATIOS**

<i>Value to Lien Ratio<sup>(2)</sup></i>	<i>Number of Parcels</i>	<i>Fiscal Year 2019-20 Assessed Value<sup>(1)</sup></i>			<i>Assessment Lien</i>	<i>Overlapping Debt<sup>(3)</sup></i>	<i>Percent of Lien<sup>(4)</sup></i>
		<i>Land</i>	<i>Structure</i>	<i>Total</i>			
Greater than 49.99:1	82	\$212,733,284.00	\$93,670,204.00	\$306,403,488.00	\$3,637,508.17	\$3,115,785.49	50.14%
40.00:1 to 49.99:1	10	14,604,304.00	5,446,535.00	20,050,839.00	434,428.19	203,894.92	5.99
30.00:1 to 39.99:1	11	10,468,084.00	5,837,824.00	16,305,908.00	461,214.11	165,813.10	6.36
20.00:1 to 29.99:1	22	15,737,545.00	8,995,632.00	24,733,177.00	955,092.82	251,509.15	13.16
10.00:1 to 19.99:1	12	4,824,993.00	3,606,867.00	8,431,860.00	501,800.23	85,742.72	6.92
5.00:1 to 9.99:1	7	999,250.00	1,463,129.00	2,462,379.00	294,411.34	25,039.67	4.06
Less than 5.00:1	23	1,724,876.00	1,064,113.00	2,788,989.00	970,545.16	28,360.96	13.38
Totals <sup>(5)</sup>	<b>167</b>	<b>\$261,092,336.00</b>	<b>\$120,084,304.00</b>	<b>\$381,176,640.00</b>	<b>\$7,255,000.02</b>	<b>\$3,876,146.01</b>	<b>100.00%</b>

<sup>(1)</sup> Assessed Value and Ownership as of January 1, 2019 as provided by the County of Los Angeles Assessor. Total includes Personal Property Assessed Value, in addition to Land and Structure, for some parcels.

<sup>(2)</sup> Does not include "Overlapping Debt" in calculation. Certain parcels have low value-to-lien ratios generally because they have been owned by the same owners for extended periods and the assessed values have generally increased by no more than two percent annually since 1978. See "BONDOWNERS' RISKS – Property Values."

<sup>(3)</sup> Overlapping Debt provided by California Municipal Statistics, Inc.

<sup>(4)</sup> Represents percentage of total "Assessment Lien" within value-to-lien ratio.

<sup>(5)</sup> Totals may not tie due to rounding.

Source: Los Angeles County Assessor's Offices compiled by California Municipal Statistics, Inc.

Table 4 below categorizes the parcels with unpaid Assessments within the Assessment District by land use.

**TABLE 4**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**VALUE-TO-LIEN BY LAND USE**

<i>Fiscal Year 2019-20 Assessed Value<sup>(1)</sup></i>									
<i>Land Use Category</i>	<i>Number of Parcels</i>	<i>Land</i>	<i>Structure</i>	<i>Total</i>	<i>Assessment Lien</i>	<i>Overlapping Debt<sup>(2)</sup></i>	<i>Total Overlapping Debt and Assessment Lien</i>	<i>Value to Lien<sup>(3)</sup></i>	<i>Percentage of Lien<sup>(4)</sup></i>
Single Family Residential	154	\$226,955,709.00	\$102,033,183.00	\$328,988,892.00	\$6,538,151.34	\$3,345,454.19	\$9,883,605.53	33.29:1	90.12%
Single Family Residential-Vacant	4	8,499,097.00	2,285,758.00	10,784,855.00	169,339.02	109,670.08	279,009.10	38.65:1	2.33
Condominium	4	3,122,398.00	1,437,038.00	4,559,436.00	157,183.92	46,364.43	203,548.35	22.4:1	2.17
Commercial	4	20,642,332.00	14,328,325.00	34,970,657.00	340,227.37	355,613.00	695,840.37	50.26:1	4.69
Utility	1	1,872,800.00	-	1,872,800.00	50,098.37	19,044.31	69,142.68	27.09:1	0.69
Totals <sup>(5)</sup>	<b>167</b>	<b>\$261,092,336.00</b>	<b>\$120,084,304.00</b>	<b>\$381,176,640.00</b>	<b>\$7,255,000.02</b>	<b>\$3,876,146.01</b>	<b>\$11,131,146.03</b>	<b>34.24:1</b>	<b>100.00%</b>

<sup>(1)</sup> Assessed Value and Ownership as of January 1, 2019 as provided by the County of Los Angeles Assessor. Total includes Personal Property Assessed Value, in addition to Land and Structure, for some parcels.

<sup>(2)</sup> Overlapping Debt provided by California Municipal Statistics, Inc.

<sup>(3)</sup> Represents "Total" divided by the "Total Overlapping Debt and Assessment Lien."

<sup>(4)</sup> Represents percentage of total "Assessment Lien" within value-to-lien ratio.

<sup>(5)</sup> Totals may not tie due to rounding.

Source: Los Angeles County Assessor's Offices compiled by California Municipal Statistics, Inc.

## Property Owners with Largest Assessments

No single property owner within the Assessment District is responsible for more than 1.8% of the total unpaid Assessments and no owner owns more than three parcels within the Assessment District. Table 5 below sets forth the top ten property owners within the Assessment District by share of unpaid Assessments. For purposes of calculating the value-to-lien range, "Overlapping Debt" is not included.

**TABLE 5**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**TOP 10 PROPERTY OWNERS**

<i>Property Owner<sup>(2)</sup></i>	<i>Number of Parcels</i>	<i>Fiscal Year 2019-20 Assessed Value<sup>(1)</sup></i>			<i>Assessment Lien</i>	<i>Percent of Lien</i>	<i>Value-to- Lien Ratio<sup>(3)</sup></i>
		<i>Land</i>	<i>Structure</i>	<i>Total</i>			
1. Owner No. 1	3	\$15,531,839.00	\$386,278.00	\$15,918,117.00	\$151,163.48	2.08%	105.3:1
2. Owner No. 2	1	6,754,053.00	12,832,704.00	19,586,757.00	128,322.64	1.77	152.64:1
3. Owner No. 3	2	8,778,867.00	2,448,055.00	11,226,922.00	108,738.27	1.50	103.25:1
4. Owner No. 4	1	1,896,629.00	1,109,343.00	3,005,972.00	103,022.10	1.42	29.18:1
5. Owner No. 5	2	155,114.00	37,522.00	192,636.00	90,131.69	1.24	2.14:1
6. Owner No. 6	2	2,112,447.00	1,094,868.00	3,207,315.00	89,825.20	1.24	35.71:1
7. Owner No. 7	2	4,903,334.00	2,285,758.00	7,189,092.00	88,412.91	1.22	81.31:1
8. Owner No. 8	2	4,074,655.00	3,224,123.00	7,298,778.00	80,177.67	1.11	91.03:1
9. Owner No. 9	1	6,230,861.00	2,670,367.00	8,901,228.00	61,209.47	0.84	145.42:1
10. Owner No. 10	1	2,642,835.00	1,993,361.00	4,636,196.00	57,043.08	0.79	81.28:1
<b>SUBTOTAL<sup>(4)</sup>:</b>	<b>17</b>	<b>\$53,080,634.00</b>	<b>\$28,082,379.00</b>	<b>\$81,163,013.00</b>	<b>\$958,046.51</b>	<b>13.21</b>	<b>84.72:1</b>
ALL OTHER PROPERTY OWNERS	150	\$208,011,702.00	\$92,001,925.00	\$300,013,627.00	\$6,296,953.51	86.79	47.64:1
<b>TOTALS <sup>(4)</sup>:</b>	<b>167</b>	<b>\$261,092,336.00</b>	<b>\$120,084,304.00</b>	<b>\$381,176,640.00</b>	<b>\$7,255,000.02</b>	<b>100.00%</b>	<b>52.54:1</b>

<sup>(1)</sup> Assessed Value and Ownership as of January 1, 2019 as provided by the County of Los Angeles Assessor. "Total" includes Personal Property Assessed Value, in addition to Land and Structure, for some parcels.)

<sup>(2)</sup> Property ownership as listed on the County of Los Angeles secured tax roll for Fiscal Year 2019-20.

<sup>(3)</sup> Represents "Total" divided by "Assessment Lien."

<sup>(4)</sup> Totals and subtotals may not tie due to rounding.

Source: Los Angeles County Assessor's Offices compiled by California Municipal Statistics, Inc.

## Historical Assessed Values

The following table summarizes the historical and current assessed values of all of the parcels in the Assessment District (including properties which prepaid Assessments and those with unpaid Assessments) over the past 5 Fiscal Years.

**TABLE 6**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**HISTORIC ASSESSED VALUE**

<i>Fiscal Year</i>	<i>Aggregate Assessed Value</i>	<i>Increase/(Decrease) in Property Assessed Value</i>
2015-16	\$277,941,021	
2016-17	311,902,013	12.2%
2017-18	327,655,785	5.0
2018-19	352,652,678	7.6
2019-20	381,176,640	8.0

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Sources: Los Angeles County Assessor's office as compiled by California Municipal Statistics, Inc.



## Direct and Overlapping Indebtedness

The ability of an owner of land within the Assessment District to pay the Assessment Installments could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments securing the repayment of overlapping debt in the Assessment District are set forth in Table 7 (the "Debt Report"). The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or special taxes. The Debt Report does not include the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. as of July 1, 2019. The Debt Report includes information for all parcels with unpaid Assessments. Neither the City nor the Underwriter has independently verified the information in the Debt Report and neither guarantees its completeness or accuracy.

**TABLE 7  
CITY OF MANHATTAN BEACH  
ASSESSMENT DISTRICT NO. 19-4  
DIRECT AND OVERLAPPING ASSESSMENT INDEBTEDNESS**

2019-20 Assessed Valuation: \$381,176,640 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/20</u>	
Metropolitan Water District General Obligation Bonds	0.012%	\$ 5,923	
El Camino Community College District General Obligation Bonds	0.319	1,291,024	
Manhattan Beach Unified School District General Obligation Bonds	1.923	2,579,199	
<b>City of Manhattan Beach Assessment District No. 19-4</b>	<b>100.</b>	<b><u>7,255,000</u></b>	(1)
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$11,131,146</b>	
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	0.024%	\$554,522	
Los Angeles County Superintendent of Schools Certificates of Participation	0.024%	1,225	
City of Manhattan Beach General Fund Obligations	1.923%	414,582	
Los Angeles County Sanitation District South Bay Cities Authority	0.817%	12,862	
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$983,191</b>	
 <b>COMBINED TOTAL DEBT</b>		 <b>\$12,114,337</b>	 (2)

(1) Assessment Lien.

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

Ratios to 2019-20 Assessed Valuation:

**Direct Debt (\$7,255,000)..... 1.90%**

Total Overlapping Tax and Assessment Debt .....2.92%

Combined Total Debt     3.18%

Source: California Municipal Statistics, Inc.

## Delinquency History

Historically, the parcels within the Assessment District have had a low property tax delinquency rate. Table 8 below summarizes the three year delinquency history of the parcels with unpaid Assessments within the Assessment District as of June 30, 2019 based on the annual property tax levy.

**TABLE 8**  
**CITY OF MANHATTAN BEACH**  
**ASSESSMENT DISTRICT NO. 19-4**  
**PROPERTY TAX DELINQUENCY HISTORY**

<i>Fiscal Year</i>	<i>Number of Parcels</i>	<i>Parcels Delinquent</i>	<i>% of Parcels Delinquent</i>
2016-17			
2017-18			
2018-19			

Sources: City of Manhattan Beach

## BONDOWNERS' RISKS

### General

In order to pay debt service on the Bonds, it is necessary that unpaid Assessment Installments on parcels within the District are paid in a timely manner. The Reserve Fund will be used to pay debt service on the Bonds if delinquent Assessment Installments should occur. The Assessments are a lien on the parcels of land and the City has covenanted to institute foreclosure proceedings under certain circumstances against parcels with delinquent Assessment Installments.

Failure by owners of the parcels to pay Assessment 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 Assessment 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 therefore be adversely affected.

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. 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 Court Foreclosure Proceedings."

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

### Risks of Real Estate Secured Investments Generally

The Bond Owners 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 Assessment District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure;

- (ii) changes in real estate tax rates and other operating expenses, governmental rules and fiscal policies; and
- (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses.

No assurance can be given that the individual homeowners will pay Assessments in the future or that they will be able to pay such Assessments on a timely basis. See “—Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **Limited Obligations**

The Bonds and related interest are not payable from the general funds of the City. Except with respect to the Assessments, the credit and the taxing power of the City is not pledged for the payment of principal or interest of the Bonds, and, except as provided in the Fiscal Agent Agreement, no Owner of the Bonds may compel the exercise of any taxing power by the City or force the forfeiture of any City property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s property or upon any of the City’s income, receipts or revenues, except the Assessments and other amounts pledged under the Fiscal Agent Agreement.

### **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 Fiscal Agent Agreement. 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 FISCAL AGENT AGREEMENT.”

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

The 1915 Act may permit the owner of a parcel that is subject to an unpaid Assessment Installment to tender any Bond secured by such Assessment in payment or partial payment of any installment of the Assessment 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.

### **Potential Early Redemption of Bonds from Prepayments or Other Sources**

Property owners within the Assessment District are permitted to prepay their Assessments at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in an extraordinary redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting extraordinary redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS—Redemption of Bonds—Mandatory Redemption From Assessment Prepayments.”

### **Limited City 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 Assessment Installments. The only obligation of the City with respect to such delinquencies and the consequent deficiencies in the Redemption Fund 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 Assessment 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 Assessment 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.

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Assessments even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Assessments authorization at the time the owner purchased the parcel, was informed of the amount of the Assessments on the parcel and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Assessment lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Assessments obligation in the purchase of a property within the Assessment District or lending of money thereon.

### **Payment of the Assessments is not a Personal Obligation of the Owners**

An owner of a parcel subject to an Assessment is not personally obligated to pay such Assessment. Rather, the Assessment is an obligation which is secured only by a lien against the parcel. If the value of a parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Assessment, the City has no recourse against the owner.

### **Property Values**

The value of the property within the Assessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Assessment Installments, the Assessment District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Assessment Installments. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, sea level rise, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the assessments. See "THE ASSESSMENT DISTRICT—Value-to-Assessment Lien ratios" herein.

The development and marketing of land within the Assessment District may be particularly dependent on factors which are unique to Southern California. Between 2007 and 2012, the real estate market in Southern California experienced a significant downturn with taxable values dropping significantly and many homeowners and developers experiencing foreclosure, bankruptcy and other financial strains. In 2013 the real estate market in Southern California began to stabilize and the taxable value of real property in Southern California has been increasing ever since. The City can make no assurance with respect to whether taxable values of real property will decline in the future.

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. Additionally, market values within the Assessment District could be impacted by a failure to complete the Improvements in a timely manner.

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

## **Bankruptcy and Foreclosure**

The payment of Assessments and the ability of the City to foreclose the lien of delinquent unpaid Assessment Installments, as discussed in the section entitled “SECURITY FOR THE BONDS—Covenant to Foreclose and Court Foreclosure Proceedings” herein, 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 Assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Assessment 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.

## **FDIC/Federal Government Interests in Parcels**

The ability of the City to collect interest and penalties specified by the 1915 Act and to foreclose the lien of delinquent Assessment Installments may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”) has or obtains an interest. Specifically, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Assessment Installment is not paid, the remedies available to the City may be constrained. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

If a parcel with unpaid Assessments within the Assessment District is owned by a federal governmental entity, or a private deed of trust secured by a parcel with unpaid Assessments within the Assessment District is owned by a federal governmental entity, the ability to foreclose on the parcel to collect delinquent Assessments may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel with unpaid Assessments within the Assessment District but does not pay taxes and assessments levied on the parcel (including Assessments), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Assessments, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Assessments and preserve the federal government’s mortgage interest. In Rust v. Johnson (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, 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 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 unpaid Assessments within the Assessment District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

The City's remedies may also be limited in the case of delinquent Assessment 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 is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a portion of the parcels 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 would prevent or delay the foreclosure sale.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. See "—Limitations on Remedies" below.

### **Limitation on Remedies**

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

### **Natural Disasters**

The Assessment District, like many California communities, may be subject to unpredictable seismic activity, fires, flood, tsunami 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 Assessment 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, tsunami or other natural disaster, there may be significant damage to both property and infrastructure in the Assessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Assessment Installments when due. In addition, the value of land in the Assessment 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 Assessment Installments.

### **Climate Change**

The change in the earth's average atmospheric temperature, generally referred to as "climate change," is, among other things, expected over an extended period of time to increase the frequency and severity of extreme weather events and cause sea level rise. The City cannot predict the timing, extent, or severity of climate change or its effect on the City's operations and finances, or the State and local economies, and there can be no assurances such effects will not be material and adverse with respect to the Assessment District.

## **Cybersecurity**

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. In addition, cyber attacks, depending on their nature, could potentially result in delays in collection of the Assessments.

## **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 Assessment 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.

## **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 along with notice of certain enumerated events, 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 or enumerated event notices does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, 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 Assessment District to pay the Assessment Installments could be affected by the existence of other taxes and assessments imposed upon parcels in the Assessment District with unpaid Assessments. In addition, the City and other public agencies whose boundaries overlap those of the Assessment District could impose additional taxes or assessment liens on the property within the Assessment 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 Assessment 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 ASSESSMENT DISTRICT—Direct and Overlapping Indebtedness" herein.

The imposition of additional liens on a parity with the Assessment Installments may reduce the ability or willingness of the landowners to pay the Assessment Installments and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Assessment 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 Assessment District. In addition, the landowners within the Assessment 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 Assessment 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 assessments, fees and charges.”

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City under the Act (including, if applicable, any increase in such assessment or any supplemental assessment 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 Assessment District on October 1, 2019 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, assessments, fees and charges. Article XIIC does not define the term “assessment”, and it is unclear whether this term is intended to include assessments levied under the Act. In the case of the unpaid Assessments 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 Assessment Installments on account of the unpaid Assessments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 2019-20, 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 Assessments 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 Assessments which are pledged as security for payment of the Bonds.

The interpretation and application of the Initiative has been and will continue to 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 any future determination.

## **CONCLUDING INFORMATION**

### **Continuing Disclosure**

The City has agreed to execute a Continuing Disclosure Certificate (the “Disclosure Certificate”) in connection with the delivery of the Bonds for the benefit of the Underwriter, holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by the April 1 following the end of the City’s fiscal year (the “Annual Report”) commencing April 1, 2020 and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The specific nature of the information to be included in the Annual Report and the notices of Listed Events is set forth in APPENDIX F -“FORM OF CITY



CONTINUING DISCLOSURE CERTIFICATE.” The City has agreed to execute the Disclosure Certificate in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (the “Rule”).

It should be noted that the City is required to file certain financial statements with the Annual Report. This requirement has been included in the Disclosure Certificate solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than the Assessments and amounts pledged under the Fiscal Agent Agreement. See “BONDOWNERS’ RISKS - Limited City Obligation Upon Delinquency.” It should also be noted that the list of Listed Events which the City has agreed to report includes items related to credit enhancements and ratings. These items have been included in the list solely to satisfy the requirements of the Rule. The Bonds have not been assigned a credit rating and have no credit enhancement.

The City filed its Annual Report for Fiscal Year 2014-15 37 days late. In addition, from time to time, the annual reports were not filed under all applicable CUSIP numbers. Also, those annual reports (and the annual report for Fiscal Year 2016) did not include certain specific information required by the undertakings related to previously issued assessment bonds (including information relating to delinquencies with respect to particular parcels in the assessment areas and balances in certain funds). The City made a corrective filing with respect to the missing information for fiscal years 2011 through 2015 in May 2016, and with respect to Fiscal Year 2015-16 in December 2017. All debt service payments have been made on a timely basis with respect to such bonds. 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.

### **Legal Opinion**

Certain proceedings in connection with the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Manhattan Beach, California, Bond Counsel (“Bond Counsel”). The opinion of Bond Counsel attesting to the validity of the Bonds will be delivered with each Bond. A form of the opinion to be delivered by Bond Counsel is set forth in Appendix D hereto.

Certain legal matters will be passed upon for the City by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Katten Muchin Rosenman LLP.

### **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation (“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 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 the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City and others making such representations 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 City will covenant to comply with all such requirements.

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

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 other 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 INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

Although Bond Counsel 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 City 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.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Fiscal Agent Agreement.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

## **Litigation**

There is no action, suit, or proceeding known by the City to be pending at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the execution or delivery thereof. A no litigation certificate executed by the City will be required to be delivered to the Underwriter with respect to these matters simultaneously with the delivery of the Bonds.

## **Financial Interests**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

## **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.

## **Underwriting**

The Bonds are being purchased by BofA Securities, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Bonds of \$\_\_\_\_\_, plus a net 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 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.

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

The Underwriter has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, the Underwriter may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, the Underwriter may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

**Miscellaneous**

All quotations from, and summaries and explanations of, the Fiscal Agent Agreement, the Continuing Disclosure Certificate and other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the City. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the City or the Bonds.

The execution and delivery of this Official Statement have been authorized by the City.

**CITY OF MANHATTAN BEACH**

By: \_\_\_\_\_  
City Manager

**APPENDIX A**  
**ASSESSMENT DIAGRAM**

**APPENDIX B**  
**ENGINEER'S REPORT**

## **APPENDIX C**

### **SUMMARY OF THE FISCAL AGENT AGREEMENT**

**Definitions.** Unless the context otherwise requires, the following terms have the meanings set forth in the Fiscal Agent Agreement:

“Administrative Expense Fund” means the City of Manhattan Beach Assessment District No. 19-4 Administrative Expense Fund established with the Treasurer.

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

“Administrative Expenses” means the ordinary and necessary fees and expenses for determination of the Assessment and administering the levy and collection of the Assessment 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 Agreement (including, but not limited to, annual audits and costs incurred in the levying and collection of the Assessment) 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 Agreement and, in the case of the City, in any way related to the administration of the Assessment District.

“Agreement” means the Fiscal Agent Agreement, dated as of March 1, 2020, by and between the City and the Fiscal Agent, as amended or supplemented pursuant to the terms thereof.

“Annual Debt Service” means all principal of, including mandatory sinking fund payments, and interest on the Bonds due in a Bond Year.

“Assessment” or “Assessments” means the special assessments levied in the Assessment District in accordance with the 1913 Act and the Resolution of Formation, exclusive of any assessments levied to pay Administrative Expenses, together with the net proceeds derived from any foreclosure proceedings and interest and penalties thereon.

“Assessment District” means City of Manhattan Beach Assessment District No. 19-4.

“Assessment Fund” means the City of Manhattan Beach Assessment District No. 19-4 Assessment Fund established and held by the City pursuant to the Agreement.

“Assessment Installment” means the annual portion of the Assessment levied to pay the principal of, including mandatory sinking fund payments, and interest on the Bonds which does not include assessments levied by the City to pay Administrative Expenses.

“Authorized Investments” means, subject to applicable law, (1) Federal Securities; (2) an Investment Agreement, acceptable to, and approved in writing by, the Treasurer; (3) taxable government money market funds rated in one of the two highest rating categories by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, restricted to obligations with average maturities of one year or less, insured or fully guaranteed as to the principal and interest thereon by the full faith and credit of the United States of America or by repurchase agreements collateralized by such obligations including money market funds for which the Fiscal Agent and affiliates provide investment advisory or other management services; (4) tax-exempt obligations, including tax exempt money market funds, rated at least “A” or higher by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and Moody’s Investors Service; (5) commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody’s Investors Service and S&P Global Ratings, a Standard & Poor’s Financial Services LLC business,, limited to issuing corporations that are organized

and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an “A” or higher rating for such corporation’s debt, other than commercial paper, as provided for by Moody’s Investors Service and S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and which may not exceed 180 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation; (6) notes, bonds or other obligations which are at all times secured by a perfected first security interest in securities of the types listed by Section 53651 of the California Government Code as eligible securities for the purpose of securing local agency deposits or which are listed as an Authorized Investment under any of the clauses (1) through (5) (except those described in clause (6)) and which have a market value, determined at least weekly, at least equal to 102% of the amount of principal and accrued interest on such obligation, which will be placed by delivery into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation and which bank will be responsible for making any market value determinations, and the security interest will be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted; (7) The State of California Local Agency Investment Fund; (8) time or demand deposits (including those of the Fiscal Agent or its affiliates) fully insured by the Federal Deposit Insurance Corporation or with institutions rated in one of the two highest rating categories by Moody’s Investors Service or S&P Global Ratings, a Standard & Poor’s Financial Services LLC business; (9) repurchase agreements secured by Federal Securities; (10) the County of Los Angeles Pooled Investment Fund; and (11) any other investment in which funds of the City may be legally invested.

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

“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, duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Purchase Agreement” means the Bond Purchase Agreement authorized and executed by the City and BofA Securities, Inc., as the initial purchaser of the 2020A Bonds.

“Bond Register” means the books which the Fiscal Agent keeps or causes to be kept pursuant to the Agreement, on which the registration and transfer of the Bonds will 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.

“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 the 2020A Bonds.

“Business Day” means any day of the year in New York, New York or Los Angeles, California other than a Saturday, Sunday, a day on which the New York Stock Exchange is closed or any day on which the Fiscal Agent is not open for business.

“Certificate of the City” means a written certificate or warrant request executed by an Authorized Representative of the City.

“City” means City of Manhattan Beach, a general law city organized under the laws of the State of California.

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



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

“Closing Date” means the date of delivery of each series of Bonds by the City and payment therefor by the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“County” means the County of Los Angeles.

“Costs of Issuance Fund” means the City of Manhattan Beach Assessment District No. 19-4 Costs of Issuance Fund established with the Fiscal Agent pursuant to the Agreement.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

“Engineer’s Report” means the report concerning the Assessment District prepared by NV5, as preliminarily approved by the City on November 19, 2019, and approved in final form by the City on January 7, 2020, and on file with the City Clerk.

“Federal Securities” means, subject to applicable law, United States Treasury notes, bonds, bills or certificates of indebtedness, including United States Treasury Obligations, State and Local Government Series (“SLGS”) or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest; and obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or other federal agencies or United States Government-sponsored enterprises.

“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 Agreement and any successor thereto.

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

“Improvements” means the design and undergrounding of utilities within the Assessment District, as described in the Engineer’s Report and the redemption premium and interest on Prior Bonds not being refunded by the Bonds.

“Improvement Fund” means the City of Manhattan Beach Assessment District No. 19-4 Improvement Fund established pursuant to the Agreement.

“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; 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, 2020.

“Investment Agreement” means one or more agreements entered into between the Fiscal Agent, for the benefit of the City, and an entity or entities whose long term uninsured, unsecured and unguaranteed debt or claims-paying ability is rated as of the date of the Investment Agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or Moody’s Investors Service, or an agreement between the Fiscal Agent, for the benefit of the City, and an entity which is rated as of the date of the Investment Agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or Moody’s Investors Service.

“1913 Act” means the Municipal Improvement Act of 1913, being Division 12 (commencing with Section 10000) of the California Streets and Highways Code.

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

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

“Notice of Assessment” means the Notice of Assessment recorded in the Office of the County Recorder of the County of Los Angeles on \_\_\_\_\_, 2020, as Document No. \_\_\_\_\_.

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

(1) Bonds theretofore canceled or surrendered for cancellation in accordance with the Agreement;

(2) Bonds for the payment or redemption of which moneys will 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 will have been given as provided in the Agreement; and

(3) Bonds defeased pursuant to the Agreement.

“Owner” means, with respect to any Bond, the person shown as the owner thereof in the Bond Register.

“Rebate Fund” means the fund by that name established pursuant to the Agreement in which there are established the accounts described in the Agreement.

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

“Rebate Requirement” has 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 the City of Manhattan Beach Assessment District No. 19-4 Redemption Fund established with the Fiscal Agent pursuant the Agreement.

“Reserve Fund” means the City of Manhattan Beach Assessment District No. 19-4 Reserve Fund established with the Fiscal Agent pursuant to the Agreement.

“Reserve Requirement” means, as of any date of calculation, 50% of the then maximum annual debt service due on the Bonds.

“Resolution of Formation” means Resolution No. 20-0003 adopted by the City Council on January 7, 2020, forming the Assessment District and confirming the levy of assessments in accordance with the Engineer’s Report presented at such meeting.

“Resolution of Intention” means Resolution No. 19-0103, adopted by the City Council of the City on November 7, 2019, stating the City’s intention, among other things, to issue the Bonds.

“Resolution of Issuance” means Resolution No. 20-\_\_\_\_, adopted by the City Council of the City on February 18, 2020, authorizing the issuance of the Bonds and approving the terms and provisions of the Agreement.

“Six-Month Period” means the period of time beginning on the Closing Date of 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).

“Securities Depositories” means The Depository Trust Company, 55 Water Street, New York, New York 10041, Attn: Redemption Area, Facsimile transmission: (212) 855 7232, (212) 855 7233, or such other securities depositories as are designated by the City and whose business is to perform the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of the Securities Exchange Act of 1934, and who is registered as a clearing agency under Section 17A of the Act, such other addresses and/or such other securities depositories as the City may designate in a Certificate of the City delivered to the Fiscal Agent.

“Superintendent of Streets” means the Director of Public Works of the City, or his or her designee.

“Supplemental Fiscal Agent Agreement” or “Supplement” means any supplemental agreement amending or supplementing the Agreement.

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

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

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

Equality of Bonds; Pledge of Assessments; No Obligation to Cure Deficiency. Pursuant to the 1913 Act, the 1915 Act and the Agreement, the Bonds are equally secured by a first pledge of and will be equally payable from the Assessments 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, including mandatory sinking fund payments, of the Bonds and any premiums upon the redemption thereof are equally secured by a first pledge of and will be exclusively paid from the Assessments. The Bonds will also be secured by a first pledge of moneys on deposit in the Assessment Fund, Redemption Fund and the Reserve Fund which are set aside for the payment of the Bonds. The Assessments, the amounts in the foregoing funds and any interest earned on such amounts will constitute a trust fund held 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, including mandatory sinking fund payments, the Bonds. So long as any of the Bonds remain Outstanding, such amounts will not be used for any other purpose, except as permitted by the 1913 Act, the 1915 Act, the Agreement or any Supplemental Fiscal Agent Agreement.

## AUTHORIZATION AND ISSUANCE OF BONDS

Assessments. The Assessments remaining unpaid, and the aggregate principal amount thereof, have been determined by the Treasurer and the Treasurer has filed a list of said Assessments in the office of the Superintendent of Streets. For a particular description of the lots or parcels of land bearing the respective assessment numbers set forth in said unpaid list and upon which Assessments remain unpaid, reference has been made to the Notice of Assessment and to the diagram recorded in the office of the Superintendent of Streets after confirmation of the Assessments by the City Council through the adoption of the Resolution of Formation, the several lots or parcels of land represented by said assessment numbers being so numbered and designated upon the diagram and Assessments as so confirmed and recorded.

Collection of the remaining Assessments will cease in the event sufficient moneys are available to redeem the Bonds as provided in the Agreement.

Type and Nature of Bonds; Limited Liability. Notwithstanding anything contained in the Agreement, in the Bonds, in the 1915 Act, any other provision of law, or in any of the resolutions adopted in connection with the proceedings for the Assessment District to the contrary, all Bonds authorized pursuant to the Agreement are a special obligation of the City, and the City will not under any circumstances (including, without limitation, after any installment of principal or interest of any Assessment levied on any lot or parcel in the Assessment 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 Improvement Fund, the Assessment Fund and Reserve Fund). Neither the City, the City Council, the officers or employees of the City, any person or entity acting for or on behalf of the City in connection with the issuance of the Bonds or in connection with the formation or operation of the Assessment District, nor any persons executing the Bonds, are liable personally on the Bonds or 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 Assessment District.

## TERMS AND PROVISIONS OF BONDS

### Terms of Bonds.

(a) The interest on and principal of, including mandatory sinking fund payments, and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America at the office of the Fiscal Agent designated by the Fiscal Agent. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(b) All Bonds will be initially issued in the form of a separate single certificated fully registered Bond for each maturity date, and the ownership of each Bond will be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

(c) With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the City and the Fiscal Agent have no responsibility or obligation as to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person of any amount with respect to principal of, including mandatory sinking fund payments, premium, if any, and interest on 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, including mandatory sinking fund payments, 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 will pay all principal of, including mandatory sinking fund payments, 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 will be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, including mandatory sinking fund payments, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner will receive a certificated Bond evidencing the obligation of the City to make payments of principal, including mandatory sinking fund payments, premium, if any, and interest pursuant to the Agreement. Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Agreement with respect to record dates, the word "Cede & Co." in the Agreement refers to such new nominee of DTC.

(d) The delivery of a representation letter by the City and the Fiscal Agent does not in any way limit the provisions of clause (b) above 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. The Fiscal Agent will take

all action necessary for all representations in the representation letter with respect to the Fiscal Agent to be complied with at all times.

(e) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law.

(ii) The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the City determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(B) a continuation of the requirement that outstanding Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the Beneficial Owners of such Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to clause (e)(ii)(B) above, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to clause (e)(i) or clause (e)(ii)(A) above after which no substitute securities depository willing to undertake the functions of DTC under the Agreement can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the City is obligated to deliver Bond certificates, as described in the Agreement and the Bonds will no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names DTC designates to the Fiscal Agent in writing, in accordance with the provisions of the Agreement.

(f) Notwithstanding any other provisions of the Agreement to the contrary, as long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal, including mandatory sinking fund payments, or, premium, if any, and interest on such Bond and all notices with respect to such Bond will be made and given, respectively, in the manner provided in the DTC representation letter for the Bonds.

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

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof will 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, including mandatory sinking fund payments, and redemption premiums, if any, on the Bonds will be made by check only to the person whose name appears in the Bond Register as the registered owner thereof, such principal, including mandatory sinking fund payments, and redemption premiums, if any, to be paid only on the surrender of the Bonds at the office of the Fiscal Agent at maturity or on redemption prior to maturity.

(h) The Bonds will recite, in substance, that the interest on and principal of, including mandatory sinking fund payments, and redemption premiums, if any, on the Bonds are payable solely from the levy of the

Assessments, that the Bonds are limited obligations of the City and that the City will not obligate itself to advance available funds from its treasury to cure any deficiency in the Redemption Fund.

(i) From and after the issuance of the Bonds, the findings and determinations of the City Council will 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 will 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 1915 Act and under and pursuant to the Agreement is conclusive evidence of their validity and of the regularity of their issuance and all Bonds will be incontestable from and after their issuance. Bonds will be deemed to be issued, within the meaning of the Agreement, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the purchase price thereof received.

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 will 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 will, 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 Agreement.

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 will 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 is 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 any Bond becomes mutilated, the City will execute, and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor, date, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent will be handled in accordance with the Agreement. If any Bond is 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 is given, the City, at the expense of the Bondowner, will execute and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as such Fiscal Agent determines 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 will be equally and proportionately entitled to the benefits of the Agreement with all other Bonds issued thereunder. The Fiscal Agent may 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 Agreement, but both the original and replacement bond will be treated as one and the same. Notwithstanding any other provision of the Agreement, in lieu of delivering a new Bond to replace a Bond which has been mutilated, lost, destroyed or stolen, and which has matured or is about to mature, the Fiscal Agent may make payment with respect to such Bond upon receipt of indemnity satisfactory to it and the City.

Form of Bonds; Temporary Bonds. At the option of the City, the definitive Bonds may be typewritten, and the Bonds and the certificate of authentication will be substantially in the form provided in the Agreement.

Until definitive Bonds are prepared, the City may cause to be executed and delivered, in lieu of such definitive Bonds, temporary Bonds in typed, written, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the City. Until exchanged for definitive Bonds, any temporary Bonds will be entitled and subject to the same benefits and provisions of the Agreement as definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without unnecessary delay and thereupon any temporary Bond may be surrendered to the Fiscal Agent at the aforesaid office, without expense to the Owner, in exchange for a definitive Bond of the same maturity, interest rate and principal amount in any

authorized denomination. All temporary Bonds so surrendered will be canceled by the Fiscal Agent and will not be reissued.

## REDEMPTION OF BONDS

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds are to be redeemed, the City will designate the principal amount of Bonds of each maturity to be redeemed as provided for in Section 8768 of the 1915 Act such that the ratio of Outstanding Bonds to issued Bonds will be approximately the same in each maturity of the Bonds insofar as possible, and the Fiscal Agent will select the particular Bonds to be redeemed from each maturity in said designated amount by lot in such manner as the Fiscal Agent may choose. The Fiscal Agent will promptly notify the City in writing of the Bonds, or portions thereof, selected for redemption.

In lieu, or partially in lieu, of such call and redemption, moneys deposited in the Redemption Fund may be used to purchase Outstanding Bonds in the manner provided in the Agreement. Purchases of Outstanding Bonds may be made by the City prior to the selection of Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the City may in its discretion determine, but only at prices (including brokerage or other expenses) of not more than par, plus the premium, if any, which would be payable with respect to such Bonds upon the redemption thereof, plus accrued interest, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Interest Account of the Redemption Fund for payment of interest on the next following Interest Payment Date. The Fiscal Agent will disburse moneys in the Prepayment Account for such purpose upon written direction of the City.

Notice of Redemption. When Bonds are to be called for redemption under the Agreement and the Fiscal Agent has received the required notice from the City, the Fiscal Agent will give notice, in the name of the City, of the redemption of such Bonds. Such notice of redemption will (a) specify the serial numbers and the maturity date or dates of the Bonds selected for redemption, except that where all the Bonds subject to redemption, or all the Bonds of one maturity, are to be redeemed, the serial numbers thereof need not be specified; (b) state the date fixed for redemption and for surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be surrendered for redemption; and (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least thirty (30) days but no more than sixty (60) days prior to the redemption date, the Fiscal Agent will mail a copy of such notice, by registered or certified mail, postage prepaid, to the respective Owners of Bonds selected for redemption at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption will not be a condition precedent thereto, and failure to receive such notice will 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 Agreement will be conclusive as against all parties.

A notice of redemption for a redemption pursuant to clause (b) above may be conditioned upon receipt by the City of sufficient funds to effect the redemption. If sufficient funds are not on deposit with the Fiscal Agent at least one day prior to the redemption date, the redemption will not occur and the Bonds will remain Outstanding under the Agreement. If any redemption is cancelled due to a lack of sufficient funds, the Fiscal Agent will mail a notice to the Owners stating that such redemption was cancelled and did not occur.

Notices of redemption of Bonds registered in the name of DTC's nominee will be mailed by the Fiscal Agent to DTC, or its nominee, and not to the owners of beneficial interests in the Bonds. Notice of redemption will be provided to such beneficial owners only in accordance with the procedures governing the DTC book-entry system.

The Fiscal Agent will take the following additional actions with respect to such notice of redemption provided that neither the failure to take such actions nor any defect in the action taken affects the validity of the proceedings for such redemption. On the date on which the notice to redemption is mailed to the Owners of the Bonds pursuant to the provisions above, such notice of redemption will be given to one or more of the Securities

Depositories if DTC is not the owner of all of the Bonds selected by the City by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service.

Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the City will execute and the Fiscal Agent will 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 same interest rate and the same maturity.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Agreement, 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 will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Agreement, anything in the Agreement 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 will be paid to the Owner thereof;

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

(d) from and after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Agreement, 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

Funds and Accounts. There have been created and established the following funds and accounts, which funds and accounts the City has agreed and covenanted to maintain with the Fiscal Agent so long as any Bonds are Outstanding under the Agreement:

(a) the City of Manhattan Beach Assessment District No. 19-4 Costs of Issuance Fund (the “Costs of Issuance Fund”);

(b) the City of Manhattan Beach Assessment District No. 19-4 Redemption Fund (the “Redemption Fund”), in which there will be established and created a Principal Account, an Interest Account and a Prepayment Account;

(c) the City of Manhattan Beach Assessment District No. 19-4 Reserve Fund (the “Reserve Fund”);  
and

(d) the City of Manhattan Beach Assessment District No. 19-4 Improvement Fund (the “Improvement Fund”).

The City has covenanted and agreed to establish with the Treasurer the City of Manhattan Beach Assessment District No. 19-4 Administrative Expense Fund (the “Administrative Expense Fund”) and the City of Manhattan Beach Assessment District No. 19-4 Assessment Fund (the “Assessment Fund”).

Except for the Administrative Expense Fund, all moneys in the funds and accounts established under the Agreement will be held by the Fiscal Agent and the Treasurer for the benefit of the Bondowners (other than the Improvement Fund), will be accounted for separately and apart from all other accounts, funds, money or other



resources of the City held by the Fiscal Agent and will be allocated, applied and disbursed solely to the uses and purposes set forth in the Agreement.

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

Assessment Fund. Upon receipt of Assessment Installments, the Treasurer will immediately deposit the Assessment Installments into the Assessment Fund. On or prior to the first day of March and September of each year commencing September 1, 2020, the City will transfer to the Fiscal Agent for deposit to the Redemption Fund the amounts set forth in the following clauses, in the following order of priority:

- (a) the Interest Account of the Redemption Fund, an amount sufficient to make the payment of interest due 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, including mandatory sinking fund payments, due on the following September 2 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 Assessment Fund after the deposits described above will be transferred by the Treasurer to the Prepayment Account of the Redemption Fund to redeem Bonds as provided in the Agreement. To the extent that the amounts in the Assessment Fund are insufficient to redeem Bonds in an authorized denomination, such moneys will be used for the payment of interest or principal, including mandatory sinking fund payments, on the next Interest Payment Date. The City will apply such amounts, as a credit against each of the unpaid Assessments in amounts equal to each parcel's share or portion thereof, of the total amount of Assessment.

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 Assessment Fund will be paid to the City.

Redemption Fund. The principal of, including mandatory sinking fund payments, and interest on the Bonds until maturity will be paid by the Fiscal Agent from the Redemption Fund. At the maturity of the Bonds, and after all principal, including mandatory sinking fund payments, and interest then due on any Outstanding Bonds has been paid or provided for, moneys in the Redemption Fund will be transferred to the Assessment Fund.

(a) On or prior to the first day of March or September of each year, commencing September 1, 2019, the Fiscal Agent will transfer to the Interest Account of the Redemption Fund an amount such that the balance in the Interest Account one day prior to each Interest Payment Date will be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account will 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, 2020, the Fiscal Agent will transfer to the Principal Account of the Redemption Fund an amount up to the principal payment, including mandatory sinking fund payments, due on the Bonds on the following September 2. Moneys in the Principal Account will be used to pay the principal, including mandatory sinking fund payments, of the Bonds as the same become due at maturity or as a result of mandatory sinking fund redemption.

(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, will be transferred to the Assessment Fund.

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

Upon receiving any prepayment of an Assessment, the City will transfer all or a portion of such prepayment to the Fiscal Agent for deposit in the Prepayment Account, which when coupled with the moneys transferred from the Reserve Fund pursuant to the Agreement to the Prepayment Account, will be used to redeem Bonds pursuant to the Agreement or any Supplemental Fiscal Agent Agreement on the next Interest Payment Date for which proper notice pursuant to the Agreement or applicable provision of a Supplemental Fiscal Agent Agreement can be given by the Fiscal Agent. Upon receipt of written instructions from the City, the Fiscal Agent will transfer that portion, if any, of the prepayment representing accrued interest owing on the Bonds to the Interest Account of the Redemption Fund and that portion representing principal, including mandatory sinking fund payments, and premium due on the Bonds on the next principal payment date to the Principal Account of the Redemption Fund. If less than all of the amounts in the Prepayment Account, together with the money transferred from the Reserve Fund, can be used to redeem Bonds in increments of \$5,000, the remaining portion is to be retained in the Prepayment Account and, when at the written direction of an Authorized Representative of the City there is sufficient money to redeem Bonds, will be used to redeem Bonds as provided in the Agreement or as provided in a Supplemental Fiscal Agent Agreement. Money received from the City from funds other than the prepayment of Assessments, including any surplus amount in the Improvement Fund transferred to the Fiscal Agent in accordance with Section 10427(d) of the 1913 Act, will be deposited in the Prepayment Account and used to redeem Bonds as provided in the Agreement or pursuant to the terms of a Supplemental Fiscal Agent Agreement.

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 will be transferred to the Assessment Fund.

Reserve Fund. The Fiscal Agent will initially deposit into the Reserve Fund the amount specified in the Agreement. Thereafter, the Treasurer will transfer sufficient funds from the Assessment Fund as provided in the Agreement in order to maintain the Reserve Requirement in the Reserve Fund at all times. On or before each February 15 and August 15, the Fiscal Agent will determine whether the amount on deposit in the Reserve Fund equals the Reserve Requirement.

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

In the event an Assessment is prepaid in whole or in part and used to redeem Bonds, the Assessment being prepaid will be reduced by the amount transferred from the Reserve Fund pursuant to the Agreement to the Prepayment Account of the Redemption Fund. The amount transferred will be that portion of the balance then in the Reserve Fund equal to the proportion that the Assessment prepaid bears to the total of all Assessments remaining unpaid as of such date. The City will notify, or cause the Fiscal Agent to be notified, of the amount to be transferred.

In the event that moneys in the Reserve Fund and the moneys in the Redemption Fund and the Assessment Fund are sufficient to retire all of the Outstanding Bonds plus accrued interest thereon, such moneys in the Reserve Fund and the Assessment Fund will at the written direction of City be transferred to the Redemption Fund for the payment of the Bonds.

All amounts remaining in the Reserve Fund in the year in which the last Assessment Installments become due and payable will be credited toward said Assessment Installments as set forth in the Agreement:

On or prior to July 1st of the Fiscal Year next preceding the Fiscal Year in which the last unpaid Assessment Installment securing the Bonds becomes due and payable, the City will determine the amount remaining in the Reserve Fund, and will declare such amount to be surplus and direct the Fiscal Agent as to the transfer of such amount in order that it may be credited in the manner set forth in Section 10427.1 of the 1913 Act; provided that if

all or any part of such Assessments remain unpaid and are payable in installments, the amount apportioned to each parcel will be credited against the last of such unpaid Assessment Installments and, if the amount apportioned to each parcel exceeds the amount of said last installment, then such excess will be credited against the next to last of such Assessment Installments.

Notwithstanding any provisions in the Agreement to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement will be withdrawn from the Reserve Fund by the Fiscal Agent on or before each February 15 and August 15, and will be transferred to the Interest Account, the Principal Account or the Prepayment Account in an amount directed in writing by an Authorized Representative of the City received at least one Business Day prior to each February 15 and August 15. In the absence of written direction from the City, all amounts will be transferred to the Redemption Fund and will be used as provided in the Agreement.

Rebate Fund.

(a) The Fiscal Agent will establish and maintain a fund separate from any other fund established and maintained under the Agreement designated as the Rebate Fund and will establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund will be held by the Fiscal Agent in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund with respect to the Bonds will be governed by the Agreement 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.

(i) Rebate Account. The following requirements will be satisfied with respect to the Rebate Account:

(A) Annual Computation. Within 55 days of the end of each Bond Year, the City will 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 will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Agreement.

(B) 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 will be deposited to each subaccount of the Rebate Account 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 Account will equal the amount of Rebatable Arbitrage so calculated by or on behalf of the City in accordance with clause (i)(A) 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 subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the City, the Fiscal Agent will withdraw the excess from the Rebate Account and then credit the excess to the Assessment Fund.

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

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

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

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the City will 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 clause (a)(i)(C) will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, or will be made in such other manner as provided under the Code.

(ii) Alternative Penalty Account.

(A) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds, within 85 days of each particular Six-Month Period, the City will determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The City will obtain expert advice in making such determinations.

(B) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Fiscal Agent, at the written direction of an Authorized Representative of the City, will deposit an amount in the Alternative Penalty Account from any source of funds held by the Fiscal Agent pursuant to the Agreement and designated by the City in such written directions or provided to it by the City, if and to the extent required, so that the balance in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in clause (a)(ii)(A) above. In the event that immediately following any transfer provided for in 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 in the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by clause (a)(ii)(C) below, the Fiscal Agent, at the written direction of an Authorized Representative of the City, may withdraw the excess from the Alternative Penalty Account and credit the excess to the Assessment Fund.

(C) Payment to the Treasury. The Fiscal Agent will pay, as directed in writing by an Authorized Representative of the City, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from the Alternative Penalty Account, the amount in the Alternative Penalty Account is not sufficient to make such payment when such payment is due, the City will calculate the amount of such deficiency and direct the Fiscal Agent, in writing, to deposit an amount equal to such deficiency into the Alternative Penalty Account from any funds held by the Fiscal Agent pursuant to this Fiscal Agent Agreement and designated by the City in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this clause (a)(ii)(C) will be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds after redemption and payment of such issue and after making the payments described in clause (a)(i)(C) or (a)(ii)(C) (whichever is applicable), may be withdrawn by the Fiscal Agent at the written direction of the City and utilized in any manner by the City.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Agreement to the contrary, the obligation to comply with the requirements related to the Rebate Fund will 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. The provisions related to the Rebate Fund 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.

Improvement Fund. The moneys in the Improvement Fund will be applied to pay the costs of the Improvements and will be disbursed by the Fiscal Agent as specified in a written direction from an Authorized Representative of the City which must be submitted in connection with each requested disbursement.

Upon receipt of a certificate of an Authorized Representative of the City stating that all or a specified portion of the amount remaining in the Improvement Fund is no longer needed to pay costs of the Improvements, the Fiscal Agent will transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Improvement to the Prepayment Account of the Redemption Fund to be used to redeem Bonds or for such other purposes as permitted by the 1913 Act and the 1915 Act, all as directed in said certificate.

Investments. Moneys held in any of the funds and accounts under the Agreement will be invested at the written direction of an Authorized Representative of the City only in Authorized Investments which will be deemed at all times to be a part of such funds and accounts. The Fiscal Agent will 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 Agreement.

Authorized Investments will be purchased at such prices as directed by an Authorized Representative of the City in written directions (or telephonic directions confirmed in writing) delivered to the Fiscal Agent. The Fiscal Agent may rely 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 Authorized Investments will be subject to the limitations set forth in the Agreement 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 will be invested in Authorized 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 Agreement. Moneys in the Reserve Fund will be invested in Authorized Investments.

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

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

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Authorized Investments credited to such fund or account will be valued at the lower of the cost or the market value thereof, exclusive of accrued interest. Amounts in the Reserve Fund will be valued at their market value at least semi-annually on or before February 15 and August 15 (or more frequently as may be requested by the Treasurer, but in no event more often than monthly). 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 will 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 Authorized Investments. The Fiscal Agent will sell, or present for redemption, any Authorized Investment so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of the Agreement, the Fiscal Agent will

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 Agreement.

In the absence of written investment direction from the Treasurer received at least two Business Days prior to the maturity of an Authorized Investment, the Fiscal Agent will invest solely in Authorized Investments set forth in clause (3) of the definition thereof.

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

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

The City has acknowledged 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 Agreement as they occur. The City has specifically waived the right to receive such confirmation to the extent permitted by applicable law and has agreed that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Fiscal Agent under the Agreement; provided, however, that the City retains its right to receive brokerage confirmation on any investment transaction requested by the City.

Delinquency Resulting in Ultimate or Temporary Loss on Bonds. If a temporary deficiency occurs in the Assessment Fund with which to pay Bonds that have then matured, past due interest or the principal and interest on Bonds coming due during the current year, but it does not appear to the Treasurer that there will be an Ultimate Loss to the Bondowners, the Treasurer will transfer moneys on deposit in the Assessment Fund to the Fiscal Agent and will 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 following order of priority:

- (1) All matured interest payments will be made before the principal of any Bonds is paid.
- (2) Interest on Bonds of earlier maturity will be paid before interest on Bonds of later maturity.
- (3) Within a single maturity, interest on lower-numbered Bonds will be paid before interest on higher-numbered Bonds.
- (4) The principal of Bonds will be paid in the order in which the Bonds are presented for payment. Any Bond which is presented but not paid will be assigned a serial number according to the order of presentment and will be returned to the Bondowner.

When funds become available for the payment of any Bond which was not paid upon presentment, the Treasurer will cause the Fiscal Agent to notify the registered owner of such Bond by registered mail to present the Bond for payment. If the Bond is not presented for payment within ten days after the mailing of the notice, interest will cease to run on such Bond.

If it appears to the Treasurer that there is a danger of an Ultimate Loss accruing to the Bondowners for any reason, he or she 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 Council so that the City Council may take proper action to equitably protect all Bondowners.

Upon the receipt of such notification from the Treasurer, the City Council will fix a date for a hearing upon such notice. At the hearing the City Council must determine whether in its judgment there will ultimately be insufficient money in the Assessment Fund to pay the principal of the unpaid Bonds and interest thereon. If the City Council determines that in its judgment there will ultimately be a shortage in the Assessment Fund to pay the principal of the unpaid Bonds and interest thereon (an "Ultimate Loss"), the City Council will direct the Treasurer to pay to the Owners of all Outstanding and unpaid Bonds such proportion thereof as the amount of funds on hand in the Assessment Fund bears to the total amount of the unpaid principal of the Bonds and interest which has accrued or will accrue thereon. Similar proportionate payments will thereafter be made periodically as moneys come into the Assessment Fund.

Upon the determination by the City Council that an Ultimate Loss will occur, the Treasurer will cause the Fiscal Agent to notify all Bondowners to surrender their Bonds to the Treasurer for cancellation. Upon cancellation of the Bonds, the Bondowner will be credited with the principal amount of the Bond so canceled. The Treasurer will then pay by warrant the proportionate amount of principal and accrued interest due on the Bonds of each Bondowner as may be available from time to time out of the money in the Redemption Fund. Interest will cease on principal payments made from the date of such payment, but interest will continue to accrue on the unpaid principal at the rate specified on the Bonds until payment thereof is made. No premiums will be paid on payments of principal on Bonds made pursuant to the Agreement in advance of the maturity date thereon.

If a Bond is not surrendered for registration and payment, the Treasurer will cause the Fiscal Agent to give notice at the expense of the City to the Bondowner by registered mail, at the Bondowner's last address as shown on the registration books, of the amount available for payment. Interest on such amount will cease as of ten days from the date of mailing of such notice.

If the City Council determines that in its judgment there will not be an Ultimate Loss, it will direct the Treasurer to pay matured Bonds and interest as long as there is available money in the Redemption Fund. The priority of payments will be as set forth in the Agreement.

## 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, 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 1915 Act, and that the City is now authorized, pursuant to each and every requirement of the 1915 Act and the Agreement, to issue the Bonds upon the security of the Assessments in the aggregate principal amount described in the Bond Purchase Agreement and in the form and manner provided in the Agreement, which Bonds are entitled to the benefit, protection and security of the provisions of the Agreement.

Form of Bonds. The Bonds will be in substantially the form set forth in the Agreement.

## COVENANTS AND WARRANTY

Warranty. The City will 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 has made the following covenants with the Owners under the provisions of the 1913 Act, the 1915 Act and the Agreement (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 Assessments:

(a) Punctual Payment; Covenant Against Encumbrances. The City has covenanted that it will receive all Assessment Installments in trust and will, consistent with the Agreement, deposit the Assessment Installments in the Assessment Fund, and the City will have no beneficial right or interest in the amounts so deposited except as

provided by the Agreement. All such Assessment Installments, whether received by the City in trust or deposited with the Fiscal Agent, all as provided in the Agreement, will nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Agreement, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

The City has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued under the Agreement, 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 Agreement to the extent Assessments 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 Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and all Supplements and of the Bonds issued under the Agreement. If at any time the total balance in the Redemption Fund and the Reserve Fund is sufficient to redeem all Outstanding Bonds pursuant to the Agreement, 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 Assessment Installments, and will not issue any obligation or security superior to the Bonds, payable in whole or in part from the unpaid Assessments.

(b) Covenant to Levy. The City will cause the Assessment 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 has covenanted to levy assessments, as permitted by law and the Resolution of Formation, to satisfy the Administrative Expense Requirement.

(c) Commence Foreclosure Proceedings. The City will review the public records of the County of Los Angeles, California, in connection with the collection of the Assessment Installments not later than August 1 of each year to determine the amount of Assessment Installments collected in the prior Fiscal Year. If the City determines that any parcel or parcels are delinquent in the payment of Assessment Installments, then the City will cause judicial foreclosure proceedings to be filed in the Superior Court not later than December 1 of each year, and will prosecute diligently such foreclosure proceedings to judgment and judicial foreclosure sale; provided, however, the commencement of any foreclosure action may be deferred in the sole discretion of the City if, and only so long as, the amount in the Reserve Fund is not less than seventy percent (70%) of 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 will be made of all transactions made by its Fiscal Agent under the Agreement. Such books of record and accounts will 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 Agreement, 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 has covenanted 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 Agreement. Without limiting the generality of the foregoing, the City has agreed that there will 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 will direct the Fiscal Agent to transfer to the Rebate Fund amounts sufficient to pay and will instruct the Fiscal Agent to pay to the United States Treasury any amounts required to be paid as set forth in the Agreement.

(f) Collection of the Administrative Expense Requirements. The City has covenanted that it will collect annually an amount specified by the Treasurer to be the Administrative Expense Requirement to pay for Administrative Expenses. The Administrative Expense Requirement so collected will not exceed the amount specified in the Engineer’s Report.

Continuing Disclosure Certificate. The City has covenanted and agreed that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificates to be executed and delivered by the City in connection with the issuance of each series of Bonds. Notwithstanding any other provision of the Agreement, failure of the City to comply with the Continuing Disclosure Certificates will not be considered an event of default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Certificate. “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

#### 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 Agreement for any of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provisions in the Agreement provided that such action does not materially adversely affect the interests of the Bondowners;

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

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

(d) to modify, alter, amend or supplement the Agreement in any other respect which is not materially adverse to the Bondowners.

Amendments Requiring Bondowner Consent. Exclusive of the Supplements described in the Agreement, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have the right to consent to and approve such Supplements as are 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 Agreement; provided, however, that nothing in the Agreement permits, (a) an extension of the maturity date of the principal, or the payment date of 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 desires to enter into a Supplement, which pursuant to the terms of the Agreement requires the consent of the Bondowners, the City will so notify the Fiscal Agent and deliver to the Fiscal Agent a copy of the proposed Supplement. The Fiscal Agent will, 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 will briefly set forth the nature of the proposed Supplement and 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 will 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 Agreement. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent will 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 will refer to the proposed Supplement described in such notice, and will 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, will 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, will be disregarded and treated as though they were not Outstanding for the purpose of any such determination. Upon request, the City will designate to the Fiscal Agent those Bonds disqualified by the Agreement.

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

No Supplement pursuant to the Agreement may modify or amend any of the rights or obligations of the Fiscal Agent without its written consent thereto. The Fiscal Agent will be provided an opinion of counsel, at the expense of the City, that any such Supplement complies with the provisions of the Agreement 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 Agreement, 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 will be made on such Bonds. If the City so determines, new Bonds so modified as, in the opinion of the City, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds will 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 has been 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 Agreement and to allocate, use and apply the same as provided in the Agreement.

The Fiscal Agent has been authorized to and will mail by first-class mail, postage prepaid, interest payments to the Bondowners, select Bonds for redemption, and maintain the Bond Register. The Fiscal Agent has been 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 will perform all other duties assigned to or imposed on it as provided in the Agreement. The Fiscal Agent will keep accurate records of all funds administered by it and all Bonds paid and discharged by it.

The Fiscal Agent has been authorized to pay the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent will cancel all Bonds upon payment thereof or upon the surrender thereof by the City pursuant to the Agreement. The Fiscal Agent will 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 will supply information regarding investments made under the Agreement 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 will 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 will 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 City will from time to time, subject to any agreement between the City and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants, counsel, agents, receiver and engineers or other experts employed by it in the exercise and performance of its powers and duties under the Agreement, and 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 Agreement, which indemnity will survive discharge of the Bonds.

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 is 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 is eligible under the Agreement, will be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Agreement 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 is 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 fifty million dollars (\$50,000,000), 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 the Agreement the combined capital and surplus will be as set forth in its most recent report of condition so published. The City will 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 will 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, at the expense of the City, 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 will 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 Agreement and in the Bonds will 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 Agreement or of the Bonds, and will incur no responsibility in respect thereof other than in connection with its duties or obligations in the Agreement or in the Bonds or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent will have no duties or obligations other than as specifically set forth in the Agreement and no implied duties, covenants or obligations may be read into the Agreement against the Fiscal Agent. The Fiscal Agent is under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent is not liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful misconduct.

The Fiscal Agent has 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 Agreement, or with respect to the investment of any moneys in any fund or account established, held or maintained by the City pursuant to the Agreement or otherwise.

The Fiscal Agent will 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 will be full and complete authorization and protection in respect of any action taken or suffered under the Agreement and in accordance therewith.

The Fiscal Agent is not 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 Agreement the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Agreement, such matter (unless other evidence in respect thereof is specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, will be conclusively proved and established by a written certificate of the City, and such certificate will be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Agreement 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 has no duty or obligations whatsoever to enforce the collection of Assessments or other funds to be deposited with it under the Agreement, or as to the correctness of any amounts received, but its liability is limited to the proper accounting for such funds as it actually receives. The Fiscal Agent has no duty or obligation to monitor the City's compliance with the 1913 Act or the 1915 Act. No provision in the Agreement requires 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 Agreement, or in the exercise of its rights or powers, if it has 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 is entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Fiscal Agent has 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 also extend to its officers, directors, employees and agents. The Fiscal Agent's rights to indemnification under the Agreement and to payment of its fees and expenses will 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 represents 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 Agreement and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Agreement.

The Fiscal Agent is not liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful misconduct. The Fiscal Agent will only perform those duties specifically set forth in the Agreement and no implied duties, covenants or obligations whatsoever will be read into the Agreement. In the event of and during the continuance of an event of default, the Fiscal Agent will exercise such care in performing its duties under the Agreement as a prudent person would exercise under the circumstances in the conduct of its own affairs. No action by the Fiscal Agent will be construed or deemed to expand the limitations on the scope of the Fiscal Agent's duties. The Fiscal Agent will not be considered in breach of or in default in its obligations under the Agreement in the event of 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 Assessment 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 trust created by the Agreement, 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 Agreement will look only to the funds and accounts held by the Fiscal Agent thereunder for payment, except as otherwise provided thereunder or where the Fiscal Agent has breached its standard of care as described therein. Under no circumstances will the Fiscal Agent be liable in its individual capacity for the obligations evidenced by the Bonds.

The Fiscal Agent will 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 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 Agreement. In the event of conflicting instructions under the Agreement, the Fiscal Agent will have the right to decide the appropriate course of action and be protected in so doing.

The Fiscal Agent has 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 will not to be deemed to have knowledge of any event of default under the Agreement 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 duties or powers or perform its duties through attorneys, agents or receivers and the Fiscal Agent will 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 will 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 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 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 Agreement or in the Bonds contained, and the continuation of such default for a period of thirty (30) days after the City has 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 will be extended to permit such default to be eliminated.

Remedies of Owners. Following the occurrence of an event of default, any Owner has the right for the equal benefit and protection of all Owners similarly situated:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the City and any of the members, officers and employees of the City, and to compel the City or any such members, officers or employees to perform and carry out their duties under the 1913 Act or the 1915 Act and their agreements with the Owners as provided in the Agreement;
- (b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
- (c) By a suit in equity to require the City and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Agreement, or in the Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Agreement, out of the Assessments pledged for such payment, or affects or impairs the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Agreement.

A waiver of any default of breach of duty or contract by any Owner will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the 1913 Act or the 1915 Act or by the Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the City and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken. No remedy conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy is cumulative and is in addition to every other remedy given under the Agreement or now or later 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 1913 Act, the 1915 Act or any other law.

In no event will the Fiscal Agent have any responsibility to cure or cause the City or any other person or entity to cure an event of default under the Agreement.

#### DEFEASANCE

Defeasance. If the City pays or causes to be paid, or there is otherwise 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 Agreement, then the Owners of such Bonds will cease to be entitled to the pledge of Assessments and other amounts under the Agreement, and all covenants, agreements and other obligations of the City to the Owners of such Bonds under the Agreement will thereupon cease, terminate and become void and be discharged and satisfied except for the City's covenant under the Agreement. In such event, the Fiscal Agent will execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent will pay over or deliver to the City after payment of any amounts due the Fiscal Agent under the Agreement all money or securities held by it pursuant to the Agreement which are not required for the payment of the interest due on, and the principal of, such Bonds.

Any Outstanding Bond will be deemed to have been paid within the meaning expressed in the Agreement 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 at or before maturity, money which, together with the amounts then on deposit in the Assessment 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 will become due and payable; or

(c) by depositing with the Fiscal Agent Federal Securities in such amount as an Independent Financial Consultant determines will, together with the interest to accrue thereon and moneys then on deposit in the Assessment 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 become due and payable; then, notwithstanding that such Bond has not been surrendered for payment, all obligations of the City under the Agreement with respect to such Bond ceases and terminates, 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 Agreement. Any money or securities deposited with the Fiscal Agent to defease any Bond or Bonds will 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 Agreement will be paid over to the City.

#### MISCELLANEOUS

Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption will upon payment therefor, and any Bond purchased by the City as authorized in the Agreement will be, cancelled forthwith and will not be reissued. The Fiscal Agent will 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 Agreement 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 will be sufficient for the purposes of the Agreement (except as otherwise provided therein), 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 will also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same is registered in the Bond Register will 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, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will 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 will not be affected by any notice to the contrary. Nothing contained in the Agreement will 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 Agreement which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond will 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 Agreement 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, will be repaid by the Fiscal Agent to the City, as its absolute property and free from trust, and the Fiscal Agent will thereupon be released and discharged with respect thereto and the Owners will 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 will, 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 will 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 Agreement constitute a contract between the City and the Bondowners and the provisions of the Agreement will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy is brought or taken and the Fiscal Agent prevails, the Fiscal Agent is entitled to receive from the Assessment 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 will 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 Agreement will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Agreement, but to no greater extent and in no other manner.

The Agreement will be binding upon and inure to the benefit of the City and the Fiscal Agent, 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 Agreement, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Agreement.

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



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

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 Agreement necessary or appropriate to carry the same into effect.

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

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 Agreement, 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 Agreement.

## APPENDIX D

### OPINION OF BOND COUNSEL

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Closing Date]

City Council  
City of Manhattan Beach  
Manhattan Beach, California

Re:     \$\_\_\_\_\_ City of Manhattan Beach Assessment District No. 19-4 Limited Obligation  
Improvement Bonds 2020 Series A

Ladies and Gentlemen:

We have examined certified copies of proceedings taken by the City of Manhattan Beach (the "City") for the issuance of bonds designated "City of Manhattan Beach Assessment District No. 19-4 Limited Obligation Improvement Bonds, 2020 Series A" (the "Bonds") pursuant to the Municipal Improvement Act of 1913, Division 12 of the Streets and Highways Code of the State of California (the "1913 Act") and under and by virtue of the Improvement Bond Act of 1915, Division 10 of said Code (the "1915 Act"). The Bonds are issued for the purpose of providing the means for paying for the work and improvements described in the City's Resolution No. 20-0003 and are issued pursuant to a resolution adopted by the City on February 18, 2020 (the "Resolution of Issuance") and a fiscal agent agreement (the "Fiscal Agent Agreement") dated as of March 1, 2020, by and between the City and U.S. Bank National Association as fiscal agent. This examination covers said proceedings down to and including the issuance of the Bonds; however, we have made no examination of the ownership or use of the property assessed. In rendering this opinion, we have relied upon certain representations of fact and certifications made by or on behalf of the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Fiscal Agent Agreement. The Bonds bear interest payable semiannually on each March 2 and September 2, commencing on September 2, 2020, at the rates per annum set forth in the Fiscal Agent Agreement.

Based upon our examination of all of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1.     The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the City enforceable in accordance with its terms.

2.     The Bonds have been duly authorized and issued by the City and are valid and binding obligations of the City enforceable in accordance with their terms. The Bonds do not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and do not constitute an obligation for which the City, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the State of California or any political subdivision thereof has levied or pledged any form of taxation.

3.     Upon delivery and authentication of the Bonds in accordance with the Fiscal Agent Agreement, the Bonds will be entitled to the benefits of the Fiscal Agent Agreement.

4.     Under existing statutes, regulations, rulings and judicial decisions, 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.

5. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

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

7. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended; such amortizable Bond premium reduces the Bondowner'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 Bondowner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (1), (2) and (3) above are limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting the enforcement of creditors rights generally, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Trust Agreement.

Except as expressly set forth in paragraphs (4), (5), (6), and (7) above, we express no opinion regarding any tax consequences with respect to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Fiscal Agent Agreement, the Tax Certificate, or other document relating to the Bonds may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion herein 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 change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX E

### BOOK-ENTRY ONLY 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 to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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 Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, 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 Trustee. 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 Trustee'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 Trustee. 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.

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Manhattan Beach (the “Issuer”) in connection with the issuance of City of Manhattan Beach Assessment District No. 19-4 Limited Obligation Improvement Bonds 2020 Series A in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the City Council of the Issuer on February 18, 2020 and a Fiscal Agent Agreement dated as of March 1, 2020 (the “Fiscal Agent Agreement”) by and between the Issuer and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). The Issuer and Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended.

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

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

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

“Participating Underwriter” shall mean BofA Securities, Inc.

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

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

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by April 1 of each year, commencing April 1, 2021, provide to the Repository, in an electronic format as prescribed by the Municipal Securities Rulemaking Board, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer is unable to provide to the Repository or the Dissemination Agent an Annual Report by the date required in subsection (a), the Issuer shall in a timely manner send a notice to the Municipal Securities Rulemaking Board, in an electronic format as prescribed by the Municipal Securities Rulemaking Board, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the Municipal Securities Rulemaking Board for the Annual Report; and

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

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

(a) Audited Financial Statements of the Issuer prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement: THE ISSUER'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE ISSUER ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE ISSUER IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE ISSUER IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) Information regarding the annual aggregate special assessment installments, amount collected, delinquent amount and percent delinquent for the most recent fiscal year and the amount and percent remaining delinquent for any prior fiscal year.

Such information listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;

9. bankruptcy, insolvency, receivership or similar proceedings; and
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. notices of redemption;
7. release, substitution or sale of property securing repayment of the Bonds; and
8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with MSRB in a timely manner not more than 10 business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.



Section 6. Termination of Reporting Obligation. The Issuer's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repository in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate

shall not be deemed an event of default under the Fiscal Agent Agreement or any Supplemental Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent has no power to enforce performance on the part of the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery delivered by a representative of the party giving such notice, or (b) overnight delivery by recognized overnight courier, or (c) United States mail, postage prepaid, registered or certified mail, or (d) facsimile, addressed as follows:

If to the Issuer:

City of Manhattan Beach  
1400 Highland Avenue  
Manhattan Beach, California 90266

or to such other address or to the attention of such other person as hereinafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been delivered either at the time of personal delivery actually received by the addressee or a representative of the addressee at the address provided above or, if delivered on a business day in the case of delivery service or certified or registered mail, as of the earlier of the date delivered or the date 72 hours following the date deposited in the United States mail at the address provided herein, or if by telecopier, upon electronic confirmation of good receipt by the receiving telecopier.

Section 14. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the City to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Issuer to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Issuer to disclose information concerning any owner of land within the City except as required as part of the information required to be disclosed by the Issuer pursuant to Section 4 and Section 5 hereof.

Dated: March \_\_, 2020

CITY OF MANHATTAN BEACH

By: \_\_\_\_\_  
City Manager

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Manhattan Beach

Name of Bond Issue: \$\_\_\_\_\_ CITY OF MANHATTAN BEACH ASSESSMENT DISTRICT NO.  
19-4 LIMITED OBLIGATION IMPROVEMENT BONDS, 2020 SERIES A

Date of Issuance: March \_\_, 2020

NOTICE IS HERBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of March 1, 2020, by and between the Issuer and U.S. Bank National Association, as Fiscal Agent. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_,  
as Dissemination Agent on behalf of Issuer