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PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2021

NEW ISSUE—BOOK-ENTRY ONLY

**RATING: S&P: “_____”
(See “RATING” herein)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, 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 not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, but is exempt from State of California personal income tax. See the caption “TAX MATTERS.”

\$ _____ *

**CITY OF MANHATTAN BEACH
2021 Taxable Pension Obligation Bonds**

Dated: Date of Delivery

Due: January 1, as shown on the inside front cover page

The City of Manhattan Beach (the “City”) is issuing its \$ _____ aggregate principal amount of 2021 Taxable Pension Obligation Bonds (the “Bonds”), pursuant to a Trust Agreement, dated as of May 1, 2021, by and between the City and U.S. Bank National Association, as trustee, and pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Bonds are being issued: (i) to pay all or a portion of the City’s currently unamortized, unfunded accrued actuarial liability to the California Public Employees Retirement System with respect to the City’s defined benefit retirement plans for City employees; and (ii) to pay costs of issuance of the Bonds. See the caption “PLAN OF REFINANCING.” The Bonds are obligations of the City payable from any lawfully available funds, are not limited as to payment to any special source of funds of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See the caption “THE BONDS—General.” So long as Cede & Co. is the registered owner of the Bonds, references herein to the owners of the Bonds mean Cede & Co. and do not mean the Beneficial Owners of the Bonds.

Interest on the Bonds is payable semiannually on July 1 and January 1 of each year, commencing January 1, 2022, through the maturity date of such Bonds. The Bonds will be issued in denominations of integral multiples of \$5,000. The Bonds will be issued in such principal amounts, and will bear interest at the rates, payable on the dates as shown on the inside front cover page of this Official Statement. The City has not funded a reserve fund in connection with the issuance of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described under the caption “THE BONDS.”

THE OBLIGATIONS OF THE CITY UNDER THE BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF THE INTEREST ON AND THE PRINCIPAL OF THE BONDS WHEN DUE OR UPON PRIOR REDEMPTION, ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE THE CAPTION “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the valid, legal and binding nature of the Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the City by Richards Watson & Gershon, A Professional Corporation, the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriters by their counsel, Katten Muchin Rosenman LLP, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about May 12, 2021.

BofA Securities

Stifel

Dated: May __, 2021

* Preliminary, subject to change.

MATURITY SCHEDULE

\$ _____ *

CITY OF MANHATTAN BEACH 2021 Taxable Pension Obligation Bonds

BASE CUSIP[†]: _____

<i>Maturity (January 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP^{††}</i>
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\$ _____ % Term Bond due January 1, 20__; Yield _____%; Price 100.000; CUSIP[†]: _____

\$ _____ % Term Bond due January 1, 20__; Yield _____%; Price 100.000; CUSIP[†]: _____

* Preliminary, subject to change.

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**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS, AND THE CITY MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE CITY THAT WOULD PERMIT THE OFFERING OR SALE OF THE BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE BONDS MAY BE SOLD ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS ("NI 33-105"), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

**NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED
KINGDOM**

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“EEA”) OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE CITY OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE CITY NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION); OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE CITY OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE CITY AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA OR THE UNITED KINGDOM RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (THE “FINSA”), AND NO APPLICATION HAS BEEN OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS (1) CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA OR (2) HAS BEEN OR WILL BE FILED WITH OR APPROVED BY A SWISS REVIEW BODY PURSUANT TO ARTICLE 52 OF THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

WARNING. THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS DOCUMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (“SFO”). THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS DOCUMENT OR ANY OTHER DOCUMENT, AND THIS DOCUMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO.25 OF 1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE BONDS SHALL NOT TRANSFER OR RESELL THEM EXCEPT WHERE A TRANSFEREE IS A QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED UNDER ARTICLE 10 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FIEA (THE MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED).

NOTICE TO PROSPECTIVE INVESTORS IN SOUTH KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FSCMA"). THE BONDS MAY NOT BE OFFERED, REMARKETED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED, REMARKETED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF SOUTH KOREA AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FETL")) WITHIN ONE YEAR OF THE ISSUANCE OF THE BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE SOUTH KOREAN LAWS AND REGULATIONS, INCLUDING THE FSCMA AND THE FETL.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA ("TAIWAN") AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED, OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE OUTSIDE TAIWAN BY INVESTORS RESIDING IN TAIWAN DIRECTLY, BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY TO THE EXTENT PERMITTED BY APPLICABLE LAWS OR REGULATIONS.

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

CITY COUNCIL

*Suzanne Hadley, Mayor
Hildy Stern, Mayor Pro Tem
Joe Franklin, Council Member
Richard Montgomery, Council Member
Steve Napolitano, Council Member*

CITY OFFICIALS

*Timothy J. Lilligren, City Treasurer
Bruce Moe, City Manager
Steve S. Charelian, Finance Director
Julie Bondarchuk, Financial Controller
Libby Brethauer-Long, Financial Services Manager*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

City Attorney

Richards Watson & Gershon, A Professional Corporation
Los Angeles, California

Municipal Advisor

KNN Public Finance LLC
Los Angeles, California

Trustee

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriters 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 Trustee or the Underwriters. 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 Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do 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 Trustee. 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 Trust 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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CITY OF MANHATTAN BEACH
2021 Taxable Pension Obligation Bonds

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by the complete documents. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement provides certain information concerning the issuance, sale and delivery of the City of Manhattan Beach 2021 Taxable Pension Obligation Bonds (the "Bonds"), in the aggregate principal amount of \$ _____. The Bonds are being issued pursuant to the Trust Agreement, dated as of May 1, 2021 (the "Trust Agreement"), by and between the City of Manhattan Beach (the "City") and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). For definitions of certain words and terms which are used herein but not otherwise defined, see Appendix B.

The Bonds are being issued: (i) to pay all or a portion of the City's currently unamortized, unfunded accrued actuarial liability (the "Pension Liability") to the California Public Employees' Retirement System ("CalPERS") with respect to the City's defined benefit retirement plans for City employees; and (ii) to pay costs of issuance of the Bonds. See the caption "PLAN OF REFINANCING."

The obligation of the City to make all payments of interest on and principal of the Bonds when due, are absolute and unconditional, without any right of set-off or counterclaim. The Bonds are not limited as to payment to any special source of funds of the City. The Bonds are obligations of the City payable from any lawfully available funds, are not limited as to payment to any special source of funds of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

As discussed under the caption "CERTAIN RISK FACTORS – COVID-19", the finances and operations of the City have been adversely impacted by COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to address its impacts are uncertain. The spread of COVID-19 has altered the behavior of businesses and people in a manner that has had a negative effect on global and local economies. The activities that generate certain revenues of the City including, in particular, sales and use taxes and transient occupancy taxes, have been adversely affected by the spread of COVID-19, and, although businesses and schools in the City have begun to reopen, there can be no assurances such material adverse impact may not continue in the future.

* Preliminary; subject to change.

The Bonds

The City is a member of CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California (the “State”), including the City. As such, the City is obligated by the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “Retirement Law”), and the contract, dated July 1, 1947 (as amended, the “CalPERS Contract”), by and between the City Council of the City (the “City Council”) and the Board of Administration of CalPERS, to make contributions to CalPERS: (a) to fund pension benefits for City employees who are members of CalPERS; (b) to amortize the unfunded actuarial liability with respect to such pension benefits; and (c) to appropriate funds for such purposes.

The City is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code (the “Refunding Bond Law”), to issue bonds for the purpose of refunding obligations evidenced by the CalPERS Contract. The Bonds are authorized and issued pursuant to the Trust Agreement and a resolution adopted by the City Council on December 15, 2020 (the “Resolution”). The proceeds of the sale of the Bonds (exclusive of amounts applied to pay costs of issuance) will be used to refund all or a portion of the City’s obligations evidenced by the CalPERS Contract, representing the Pension Liability with respect to certain pension benefits under the Retirement Law.

Validation

On December 17, 2020, the City filed a complaint in the Superior Court of the State of California for the County of Los Angeles (the “Court”) in a matter entitled *City of Manhattan Beach v. All Persons Interested et al.* (Case No. 20TRCV00931) (the “Validation Petition”). The City filed the Validation Petition in order to seek judicial validation of the issuance of the Bonds and any future bonds issued to refund the Bonds. On March 5, 2021, the Court entered a default judgment (the “Validation Judgment”) in favor of the City with respect to the Validation Petition. See “VALIDATION.”

Continuing Disclosure

The City has covenanted for the benefit of the Holders of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12”). See the caption “CONTINUING DISCLOSURE” and Appendix D for a description of the specific nature of the annual report and notices of enumerated events.

Book-Entry-Only System

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s nominee name) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity (provided that if the aggregate principal amount of any single maturity exceeds \$500,000,000, separate bond certificates shall be issued for each \$500,000,000 and any amount in excess thereof and subject to any DTC restrictions on the maximum principal amount of a bond certificate), and will be deposited with DTC. Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. or Euroclear Bank SA/NV as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. See APPENDIX D – “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” for a description of DTC, Clearstream Banking, S.A., Euroclear Bank SA/NV

as operator of the Euroclear System, and certain of their responsibilities, and the provisions for registration and registration of transfer of the 2020A Bonds if the book-entry-only system of registration is discontinued.

Miscellaneous

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Included herein are brief summaries of the Trust Agreement and certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. See Appendix B. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Holders of the Bonds. Copies of the documents are on file and available for inspection at the corporate trust office of the Trustee in Los Angeles, California. All capitalized terms used in this Official Statement and not otherwise defined have the meanings given to such terms in the Trust Agreement.

THE BONDS

General

The Bonds will be issued in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as Securities Depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. Purchasers will not receive certificates representing Bonds purchased by them. Beneficial interests in the Bonds may be held through DTC, Clearstream or Euroclear as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such systems. See APPENDIX E – “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.” Principal, premium, if any, and interest on the Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds.

The Bonds are being offered for sale in those jurisdictions in the United States of America, Canada, the European Economic Area, the United Kingdom, Switzerland, several countries in Asia, and elsewhere where it is lawful to make such offers. The distribution of this Official Statement and the offering, sale and delivery of the Bonds in certain jurisdictions is restricted by law. See “INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES” in the introductory section of this Official Statement.

The Bonds will be dated the date of delivery, mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover page of this Official Statement. The Bonds will be delivered in denominations equal to \$5,000 or any integral multiple thereof. Interest on the Bonds will be payable on each July 1 and January 1, commencing January 1, 2022 (each, an “Interest Payment Date”).

Interest on each Bond will accrue from the Interest Payment Date for the Bonds next preceding the date of authentication and delivery thereof, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon will be payable from such Interest Payment Date; or (iii) it is authenticated prior to the close of business on the first Record Date, in which event interest thereon will be payable from the Closing Date; provided, however, that if at the time of authentication of any Bond interest thereon is in default, interest thereon will be

payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the Closing Date.

Principal, premium, if any, and interest on the Bonds will be payable in currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Payments of interest on any of the Bonds will be made on each Interest Payment Date by check of the Trustee sent by Mail, or by wire transfer to any Holder of \$1,000,000 or more of Bonds, to the account specified by such Holder in a written request delivered to the Trustee on or prior to the Record Date for such Interest Payment Date, to the Holder thereof on the Record Date; provided, however, that payments of defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Trustee which will not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest. Payment of the principal of the Bonds upon redemption or maturity will be made upon presentation and surrender of each such Bond, at the Principal Office of the Trustee.

Optional Redemption of the Bonds

Optional Redemption on and after Par Call Date. The Bonds maturing on or after January 1, 20__ may be redeemed at the option of the City from any source of funds on any date on or after January 1, 20__ (the “Par Call Date”) in whole or in part from such maturities as are selected by the City and by lot within a maturity at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium. In the event of an optional redemption of the Bonds, the City will provide the Trustee with a revised sinking fund schedule giving effect to the optional redemption so completed.

Make-Whole Redemption of Bonds Prior to Par Call. From the date of issuance to the Par Call Date, the Bonds will be subject to redemption prior to their stated maturity dates at the option of the City from any source of available funds, as a whole or in part, on any date, at a redemption price equal to the greater of: (i) one hundred percent (100%) of the principal amount of such Bonds to be redeemed; or (ii) an amount equal to the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Bonds to be redeemed from and including the date of redemption to the stated maturity date of such Bonds, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus __ basis points, plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

The term “Treasury Rate” as such term is used in the foregoing paragraph, means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the “Statistical Release”) that has become publicly available at least two business days prior to the redemption date (excluding inflation for indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the City, the redemption price of the Bonds to be redeemed at the option of the City as described above will be determined by an independent accounting firm or municipal advisor retained by the City at the City’s expense to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm or municipal advisor and will not be liable for such reliance.

Mandatory Sinking Fund Redemption of the Bonds

The Bonds maturing January 1, 20__ (the “20__ Term Bonds”) are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption

date, without premium. The 20__ Term Bonds will be so redeemed on the following dates and in the following amounts:

<i>Redemption Date (January 1)</i>	<i>Principal Amount</i>
---	------------------------------------

*

* Final maturity.

The Bonds maturing January 1, 20__ (the “20__ Term Bonds”) are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium. The 20__ Term Bonds will be so redeemed on the following dates and in the following amounts:

<i>Redemption Date (January 1)</i>	<i>Principal Amount</i>
---	------------------------------------

*

* Final maturity.

On or before each November 15 next preceding any mandatory sinking fund redemption date, the Trustee will proceed to select for redemption pro-rata from all Term Bonds subject to mandatory sinking fund redemption at that time, an aggregate principal amount of such Term Bonds equal to the amount for such year as set forth in the table above and will call such Term Bonds or portions thereof for redemption and give notice of such redemption in accordance with the terms of the Trust Agreement. At the option of the City, to be exercised by delivery of a written certificate to the Trustee on or before November 1 next preceding any mandatory sinking fund redemption date, it may: (a) deliver to the Trustee for cancellation Term Bonds or portions thereof (in the amount of an Authorized Denomination) of the stated maturity subject to such redemption; or (b) specify a principal amount of such Term Bonds or portions thereof (in the amount of an Authorized Denomination) which prior to said date have been purchased or redeemed (otherwise than under the mandatory sinking fund redemption provisions of the Trust Agreement) and cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Term Bonds or portion thereof so delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount of the Term Bonds so delivered to the Trustee by the City against the obligation of the City on such mandatory sinking fund redemption date.

Selection of Bonds to Be Redeemed

If less than all of the Bonds are called for redemption, the City will designate the maturities from which the Bonds are to be redeemed. For so long as the Bonds are registered in book entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected on a pro rata pass through distribution of principal basis in accordance with the operational arrangements of DTC then in effect, and if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Bonds to be so redeemed will be selected for redemption in accordance with DTC procedures; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

In connection with any repayment of principal of the Bonds pursuant to the pass through distribution of principal as described above, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Bonds. A form of Pro Rata Pass Through Distribution of Principal Notice will be provided to the Trustee that includes a table of factors reflecting the relevant scheduled redemption payments and DTC's applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator is equal to the amount due to the owners of the Bonds on a payment date, and (b) the denominator is equal to the total original par amount of the Bonds.

It is the City's intent that redemption allocations made by DTC with respect to the Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, the City cannot provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of such Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

In the case of any redemption at the election of the City of Outstanding Bonds or any portion of the Bonds, the City will at least 45 days prior to the date fixed for redemption (unless a shorter notice is satisfactory to the Trustee, in the sole discretion of the Trustee), notify the Trustee of such redemption date, and the principal amount of the Bonds to be redeemed. Notice of redemption will be given by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) in the case of Bonds not registered in the name of a Securities Depository or its nominee, to the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) in the case of Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Bonds; and (iii) to the Information Services. Notice of redemption to the Holders pursuant to clause (i) above will be given by mail at their addresses appearing on the registration books of the Trustee, or any other method agreed upon by such Holder and the Trustee. Notice of redemption to the Securities Depositories pursuant to clause (ii) above and the Information Services pursuant to clause (iii) above will be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Each notice of redemption will state the Bonds or designated portions thereof to be redeemed, the date of redemption, the place of redemption, the redemption price, the CUSIP number (if any) of the Bonds to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, the original issue date, the interest rate and the stated maturity date of each Bond to be redeemed in whole or part. Each such notice will also state that on said date there will become due and payable on each of the Bonds to be redeemed the redemption price, and redemption premium, if any, thereof, and that from and after such redemption date interest thereon will cease to accrue.

Failure to give the notices described above or any defect therein will not in any manner affect the redemption of any Bonds. Any notice sent as provided in the Trust Agreement will be conclusively presumed to have been given whether or not actually received by the addressee.

The City has the right to rescind any notice of redemption previously sent pursuant to the Trust Agreement. Any such notice of rescission will be sent in the same manner as the notice of redemption. Neither

the City nor the Trustee will incur any liability, to Bond Owners, DTC, or otherwise, as a result of a rescission of a notice of redemption.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Bond Payments

The City will provide for payment of principal or redemption price of and interest on the Bonds from any source of legally available funds of the City. If any Bonds are Outstanding, the City will, no later than three Business Days preceding each Interest Payment Date, beginning January 1, 2022, deliver funds to the Trustee for deposit to the Revenue Fund in an aggregate amount equal to the portion of the Annual Debt Service coming due on such Interest Payment Date (less amounts on deposit in the Revenue Fund).

The obligations of the City under the Bonds, including the obligation to make all payments of principal, premium, if any, and interest when due, are absolute and unconditional, without any right of set-off or counterclaim.

The Bonds are obligations of the City payable from any lawfully available funds, are not limited as to payment to any special source of funds of the City. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Revenue Fund

There has been created pursuant to the Trust Agreement a Fund to be held by the Trustee designated as the "Revenue Fund" (the "Revenue Fund"). There has been created in the Revenue Fund two separate Accounts designated the "Bond Interest Account" and the "Bond Principal Account."

All amounts received by the Trustee from the City in respect of interest payments on the Bonds will be deposited in the Bond Interest Account and will be disbursed to the applicable Bondholders to pay interest on the Bonds. All amounts held at any time in the Bond Interest Account will be held for the security and payment of interest on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond Interest Account are insufficient to provide for the payment of such interest, the City will promptly deposit funds to such Account to cure such deficiency. On December 2 of each year beginning in 2021, so long as no Event of Default has occurred and is continuing, the Trustee will transfer all amounts on deposit in the Bond Interest Account to the Revenue Fund to be used for any lawful purpose.

All amounts received by the Trustee from the City in respect of principal payments on the Bonds will be deposited in the Bond Principal Account and all amounts in the Bond Principal Account will be disbursed to pay principal on the Bonds pursuant to the Trust Agreement. If at any time funds on deposit in the Bond Principal Account are insufficient to provide for the payment of such principal, the City will promptly deposit funds to such Account to cure such deficiency.

The moneys in such Fund and Accounts will be held by the Trustee in trust and applied as provided in the Trust Agreement and, pending such application, will be subject to a lien and charge in favor of the holders of the Bonds issued and Outstanding under the Trust Agreement and for the further security of such holders until paid out or transferred as provided in the Trust Agreement.

Limited Obligations

THE BONDS ARE GENERAL OBLIGATIONS OF THE CITY PAYABLE FROM ANY LAWFULLY AVAILABLE FUNDS OF THE CITY AND ARE NOT LIMITED AS TO PAYMENT TO ANY SPECIAL SOURCE OF FUNDS OF THE CITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION

OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds

From time to time, the City may enter into: (a) one or more other trust agreements or indentures; and/or (b) one or more agreements supplementing and/or amending the Trust Agreement, for the purpose of providing for the issuance of Additional Bonds: (i) to refund the Bonds; or (ii) to refund any Pension Liability under the CalPERS Contract arising subsequent to the issuance of the Bonds or any other obligations due to CalPERS. Such Additional Bonds may be issued solely on a parity with the Bonds.

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the Bonds.

PLAN OF REFINANCING

The Bonds are being issued to: (i) to refund a portion of the City's obligations to CalPERS under the CalPERS Contract consisting of 100% of the City's unfunded accrued actuarial liability to the California Public Employee's Retirement System as of May 12, 2021 as described below (collectively, the "Unfunded Liability") and (ii) to pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

CalPERS has notified the City as to the amount of the Unfunded Liability based on the June 30, 2019 actuarial valuations. Based on the June 30, 2019 actuarial valuation as reported by CalPERS to the City, CalPERS has projected the City's total Unfunded Liability to be \$90,763,122 as of May 12, 2021, consisting of \$28,546,933 with respect to the City's Miscellaneous Plan, \$42,383,864 with respect to the City's Classic Safety Police Plan, \$19,754,873 with respect to the Classic Safety Fire Plan, \$70,235 with respect to the PEPRA Police Plan and \$7,217 with respect to the City's PEPRA Fire Plan. The Bonds are being issued to refund 100% of the Unfunded Liability for such plans. It is possible that CalPERS will determine at a future date that an additional unfunded liability exists that is attributable to the City if actual plan experience differs from the actuarial assumptions, as such assumptions may be changed by CalPERS from time to time.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Bonds are estimated to be applied as set forth below.

Sources

Principal Amount of Bonds	\$ _____
Total Sources	\$ _____

Uses

Funding of Pension Liability ⁽¹⁾	\$ _____
Costs of Issuance ⁽²⁾	_____
Total Uses	\$ _____

⁽¹⁾ Deposit to CalPERS Payment Fund. See the caption "PLAN OF REFINANCING."

⁽²⁾ Includes Underwriters' discount, fees of the rating agency, Municipal Advisor, Bond Counsel, Disclosure Counsel and Trustee, printing costs and other costs of issuance.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth scheduled debt service on the Bonds, assuming no optional redemptions prior to maturity.

City of Manhattan Beach Debt Service Schedule

<i>Fiscal Year Ending June 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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Total

THE CITY

History

The City of Manhattan Beach is a general law city located in the South Bay area of Los Angeles County on the shore of the Pacific Ocean, bordered 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, which 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. Elevations vary from sea level to approximately 200 feet above sea level.

Population and Employment

The City has a population of approximately 35,573 residents as of January 1, 2021 and is mostly “built-out.” A substantial number of City residents commute to work outside of the City.

Major employers in the City include Northrop Grumman, Manhattan Beach Unified School District, Kinecta Federal Credit Union, Skechers USA Inc., Target Corporation, City of Manhattan Beach, Manhattan Beach Hotel TRS LLC, Ralphs Grocery Company, Bristol Farms, Olive Garden, Houston’s Restaurant and California Pizza Kitchen.

Municipal Government

The City Council, consisting of five members, and City Treasurer are elected at large for four-year terms. The City’s current elected officials are:

<i>Title</i>	<i>Member</i>	<i>Term Expires March</i>
Mayor	Suzanne Hadley	November 2022
Mayor Pro Tem	Hildy Stern	November 2022
Councilperson	Joe Franklin	November 2024
Councilperson	Richard Montgomery	November 2024
Councilperson	Steve Napolitano	November 2024
City Treasurer	Tim Lilligren	November 2024

Appointed staff members serving the City are

Bruce Moe	City Manager
Quinn Barrow	City Attorney
Steve S. Charelian	Finance Director
Liza Tamura	City Clerk
Julie Bondarchuk	Financial Controller
Libby Bretthauer	Financial Services Manager

City Employees

There are 303 budgeted full-time City employees excluding elected officials. Additionally, the City employs part-time staff equating to approximately 53 full-time equivalent positions. The City generally enjoys positive relations with its employees. About 8% of the City’s full-time employees are not represented, while the remaining 92% are represented by employee organizations within six bargaining units. The six bargaining units

are: Manhattan Beach Firefighters Association; The Manhattan Beach Fire Management Association; the Manhattan Beach Police Officers Association; the Manhattan Beach Police Management Association; the Manhattan Beach Mid Management Association; and the Teamsters Local 911. Existing labor agreements are expired or expiring December 31, 2021 and are expected to be renegotiated in calendar year 2021.

The following summarizes the membership of the City's unrepresented unit and employee associations:

TABLE 1
City of Manhattan Beach
Unrepresented Unit and Employee Associations

<i>Employee Unit</i>	<i>Number of Budgeted Full Time Employees*</i>	<i>Percent of Workforce</i>
Manhattan Beach Fire Association	26	8.6%
Manhattan Beach Fire Management Association	3	1.0
Manhattan Beach Police Officers' Association	57	18.8
Manhattan Beach Police Management Association	7	2.3
Manhattan Beach Mid-Management Association	46	15.2
Miscellaneous Unit - Teamsters Local 911	139	45.9
Management/Confidential (not represented)	<u>25</u>	<u>8.2</u>
TOTAL	303	100.0%

*Excludes elected officials.

City General Fund Budget Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June the following year.

As the Budget is developed, requests are submitted by departmental managers to the City Manager for review. The City Manager, the Finance Director and department heads meet to review the requests and establish program objectives for the coming year. The City Manager then prepares his recommendations to the City Council and the Finance Director submits the financing plan to fund the recommended budget.

The City Council typically receives the proposed budget by the second week of May and thereafter schedules public study sessions to review the recommendations with the City Manager and department heads. Tentative approvals are made by the City Council, pending determination of final fund balance and revenue figures. The Finance Director usually submits the City Council approved budget for final public hearing and adoption in June.

Early in the calendar year, the finance department presents a mid-year review of the budget performance. At that time, mid-year results are presented to the City Council with a special emphasis placed on the financial performance to date and the state of the economy. A projection of fund balances through the end of the fiscal year is presented.

From the effective date of the budget, the amounts adopted as expenditures become appropriated to the several departments, offices and agencies for the projects and purposes named. All appropriations (except appropriations for capital projects which are in effect until the project is completed) lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered. At any public meeting after the adoption of the budget, the City Council may amend or supplement the adopted budget with a majority vote of the members of the Council.

At the beginning of each fiscal year, the City Council employs an independent certified public accounting firm which, at such times as specified by the City Council, but not less than annually, examines the

financial statements. As soon as practicable after the end of each fiscal year, these financial statements are submitted to the City Council.

COVID-19 Outbreak

The COVID-19 pandemic, and local, state and federal actions in response to the COVID-19 pandemic, are having a significant impact on the City's operations and finances. In response to COVID-19, from time to time since the onset of the pandemic in March 2020 governments mandated a variety of responses ranging from travel bans and social distancing practices to complete shut-downs of certain services and facilities. Many school districts across the State temporarily closed some or all school campuses (including the Manhattan Beach Unified School District schools within the City) in response to local and State directives or guidance. Restrictions on personal and commercial activities were imposed and have been subsequently revised by the City, Los Angeles County and the State throughout the COVID-19 pandemic based on the then-current status of infection rates and hospitalizations and other factors.

The COVID-19 pandemic materially impacted economic activity throughout the world. It resulted in increased costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the City's revenues, including transient occupancy tax revenue, sales tax revenue and other revenues.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") which provided, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, the City received an allocation of \$435,236 in fiscal year 2020-21. The City adhered to the funding guidelines and used the allocation for public safety efforts to combat the spread of COVID-19. Additionally, the City submitted approximately \$1.1 million in COVID-19 related expenditure reimbursements through the Federal Emergency Management Agency ("FEMA"). Since the expenditures have to be approved by FEMA before any funds are received, the actual amount of assistance is difficult to determine.

On March 11, 2021, the President signed the \$1.9 trillion American Rescue Plan Act of 2021. Approximately \$130 billion of these funds are dedicated to local aid for relief to cities and counties. Since this is a new relief package, the City is waiting for the final allocations to be determined and will adhere to the guidelines on the use of funds once they have been finalized. The allocation to the City is estimated at \$6,622,429.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. Vaccine distribution is ongoing, limitations on business activity have begun to be relaxed, and schools have reopened for limited in-person learning.

The City cannot predict future events relating to the pandemic. There can be no assurances that COVID-19 will not materially adversely impact the City's financial condition in the future.

General Economic Condition and Outlook of the City.

Fiscal Year 2019-20 Results. The Fiscal Year 2019-20 General Fund had a year-end surplus (revenues in excess of expenditures excluding transfers) of approximately \$284,284. Table 2 contains the Adopted Fiscal Year 2019-20 General Fund Budget as well as actual results.

Fiscal Year 2020-21 Adopted Budget. The City Council adopted the Fiscal Year 2020-21 Adopted Budget on June 25, 2020, which reflected a slight General Fund operating budget deficit of \$1,458. The Fiscal Year 2020-21 Adopted Budget projected General Fund revenues to be \$73,122,730, a decrease of \$3.0 million

or 3.9% from the Fiscal Year 2019-2020 Adopted Budget. The decrease was mainly due to COVID-19 related projected declines in sales taxes (11% projected decline), transient occupancy taxes (8% projected decline), business license taxes, parking citations and charges for services. General Fund expenditures in the Fiscal Year 2020-21 Adopted Budget were projected to be \$73,124,188, a decrease from the Fiscal Year 2019-20 Adopted Budget of \$1.9 million (-2.5%) but \$2.0 million (2.8%) over Fiscal Year 2019-20 year-end estimates. The Fiscal Year 2020-21 Adopted Budget included an increase of \$3.2 million in salaries and benefits (mainly due to increased required payments to CalPERS) and reductions from Fiscal Year 2019-20 expenditures for materials and services, internal service charges and interfund transfers.

A Budget Update for Fiscal Year 2020-21 was presented and discussed during the November 4, 2020, City Council meeting. At that time, the City Council approved additional General Fund appropriations of \$496,700 for COVID-related expenditures and made adjustments related to the cancellation of Special Events for \$293,600. In December, the City Council also appropriated \$250,000 for COVID-19 Small Business Loans. Taking into account all General Fund budget amendments, including encumbrances carried forward from the prior year, expenditures would exceed revenues by \$1,443,246 as set forth in the Fiscal Year 2020-21 Adopted Budget.

Fiscal Year 2020-21 Mid-Year Budget Report. On February 16, 2021, City staff presented the City Council with the Fiscal Year 2020-21 Mid-Year Budget Report (the “Mid-Year Report”). The Mid-Year Report stated that current trends indicated the City's General Fund operating budget will finish Fiscal Year 2020-21 with revenues exceeding expenditures by \$557,105. Salaries and wages are projected to be \$1.4 million below Fiscal Year 2020-21 Adopted Budget. Costs for contract-professional services are now projected to be below Fiscal Year 2020-21 Adopted Budget amounts by approximately \$718,000 as a result of various operations being modified or canceled due to COVID-19 restrictions. Expenditures for materials and services are now projected to be below Fiscal Year 2020-21 Adopted Budget amounts by approximately \$518,000 as a result of various operations being modified or canceled due to COVID-19 restrictions.

The Mid-Year Report stated that property tax revenues are expected to exceed Fiscal Year 2020-21 Adopted Budget amounts by approximately \$1.1 million; and real estate transfer taxes are expected to exceed Fiscal Year 2020-21 Adopted Budget amounts by \$150,000. Transient occupancy taxes have been particularly hard hit by the COVID-19 pandemic, and the Mid-Year Report projected that TOT will be approximately \$1.9 million below Fiscal Year 2020-21 Adopted Budget projections. The table below summarizes the projections presented in the Mid-Year Report.

**Mid-Year Report Summary
(as of February 16, 2021)**

Adopted General Fund Surplus/(Deficit)	\$	(1,458)
Net Budget Adjustments to date		(1,441,788)
Revenues under Budget		(1,485,825)
Operating Expenditures under Budget		3,486,176
Projected General Fund Surplus	\$	557,105

Reserves. The City Council by policy maintains reserves equal to 20% of General Fund expenditures. For Fiscal Year 2019-20, the amount budgeted to be reserved as of June 30, 2020 totals \$15 million. Additionally, for the last several years, the City Council has maintained an economic uncertainty reserve totaling \$4.0 million. These reserves, plus \$4.5 million in unreserved fund balance, equal 25% of estimated expenditures in Fiscal Year 2019-20. The Mid-Year Report described above indicated that the unreserved fund balance will decrease to approximately \$3.7 million (excluding designations, reserves and prepaid items) by the end of Fiscal Year 2020-21, due primarily to transfers to the City's Stormwater Fund, Street Lighting Fund and Pension Rate Stabilization Fund.

TABLE 2
ADOPTED GENERAL FUND BUDGET
For the Fiscal Years ended June 30, 2020 through June 30, 2021

	<i>FY 2019-20</i>	<i>FY 2019-20</i>	<i>FY 2020-21</i>	<i>Variance of FY 2020-21 from FY 2019-20 Actual</i>	
	<i>Adopted</i>	<i>Actual</i>	<i>Adopted</i>	<i>\$</i>	<i>%</i>
REVENUES					
Property Tax	\$33,111,743	\$34,002,017	\$35,123,856	\$1,121,839	3.3
Other Taxes & Assessments	20,154,200	18,042,366	18,013,685	(28,681)	(0.2)
Licenses & Permits	2,797,340	2,572,460	2,676,323	103,863	4.0
Fines	2,447,000	1,925,543	1,840,000	(85,543)	(4.4)
Interests & Rents	4,064,279	4,875,067	3,855,796	(1,019,271)	(20.9)
From Other Agencies	640,974	455,990	815,850	359,860	78.9
Services	8,344,900	7,103,286	6,316,002	(787,284)	(11.1)
Interfund Charges	3,664,530	3,569,704	3,398,018	(171,686)	(4.8)
Transfers	0	291,250	0	(291,250)	(100.0)
Miscellaneous	1,038,200	879,335	1,303,200	423,865	48.2
TOTAL REVENUES	<u>\$76,263,166</u>	<u>\$73,717,018</u>	<u>\$73,342,730</u>	<u>(374,288)</u>	<u>(0.5)</u>
EXPENDITURES					
Personnel Services	\$52,559,787	\$52,089,689	\$53,268,735	1,179,046	2.3
Materials & Services	22,117,051	20,259,424	19,171,602	(1,087,822)	(5.4)
Capital Outlay	103,124	308,796	395,500	86,704	28.1
Debt Service	485,475	483,575	479,350	(4,225)	(0.9)
Interfund Transfers	0	494,783	0	(494,783)	(100.0)
TOTAL EXPENDITURES	<u>\$75,265,437</u>	<u>\$73,636,267</u>	<u>\$73,315,187</u>	<u>(321,080)</u>	<u>(0.4)</u>
SURPLUS/(DEFICIT)	<u>\$997,729</u>	<u>\$80,751</u>	<u>\$27,543</u>	<u>(53,208)</u>	<u>(65.9)</u>

Positive variance indicates the Fiscal Year 2020-21 Adopted is higher than the prior year Actual. Negative variance indicates the Fiscal Year 2020-21 Adopted is lower than the prior year Actual.

The Table is displayed according to the budget as presented in the City's Comprehensive Annual Financial Report. The budget presented differs from the City's Adopted Annual Budget in that the Comprehensive Annual Financial Report includes certain fiduciary funds for financial statement presentation.

Source: City of Manhattan Beach

City Financial Information

Fund Types. The City maintains three main governmental fund types into which its revenues are deposited: General Fund, Special Revenue Fund and Capital Projects Fund.

General Fund. The General Fund is the general operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenses and capital improvement costs which are not paid through other funds.

Special Revenue Funds. The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

Capital Projects Funds. The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Financial Statements. All governmental funds, including the General Operating Funds and, the Capital Projects Funds, are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The City employs an independent certified public accounting firm to annually audit the City’s financial statements in conformity with generally accepted accounting principles for governmental entities and to review internal financial controls. The audited Comprehensive Annual Financial Report of the City has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for fiscal year 2019. The City has consistently been awarded the Certificate for the past twenty years. The annual audit report is generally available by February 1 of the succeeding fiscal year.

The following tables show the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund balance sheet for Fiscal Years 2015-16 through Fiscal Year 2019-20.

TABLE 3
City of Manhattan Beach
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Fiscal Years ended June 30, 2016 through June 30, 2020

	2016	2017	2018	2019	2020
Revenues					
Taxes and assessments	\$46,162,711	\$47,656,968	\$49,223,879	\$52,272,101	\$52,044,383
Licenses and permits	2,796,838	2,703,626	3,365,669	3,048,263	2,572,460
Intergovernmental	524,218	315,831	363,670	355,520	455,990
Charges for services	9,568,921	11,016,466	12,255,990	12,076,449	10,672,990
Use of money and property	3,717,747	3,455,654	2,746,518	5,304,823	4,875,067
Fines and forfeitures	2,503,274	2,494,090	2,472,310	1,963,412	1,925,543
Miscellaneous Revenues	1,494,448	1,709,522	1,180,783	1,112,149	879,335
Total revenues	\$66,768,157	\$69,352,157	\$71,608,819	\$76,132,717	\$73,425,768
Expenditures					
General government	\$13,188,149	\$13,290,308	\$14,018,095	\$15,125,085	\$ 14,299,084
Public safety	36,935,735	38,321,484	39,441,189	42,632,070	43,491,601
Culture and recreation	7,331,395	7,755,958	7,995,311	8,383,582	6,914,199
Public works	6,116,597	6,232,637	6,138,757	7,190,483	7,644,229
Capital outlay	327,017	389,392			
General government			21,773	65,704	171,736
Public safety			51,837	328,757	127,605
Culture and recreation				5,497	9,455
Public works			32,303	5,999	
Debt service					
Principal retirement	270,000	280,000	265,000	295,000	305,000
Interest and fiscal charges	88,670	141,124	194,375	185,975	176,975
Fees			1,600	1,600	1,600
Payment to refunded bond escrow agent	-	11,334	-	-	-
Total expenditures	\$64,257,563	\$66,422,237	\$68,160,240	\$74,219,752	\$73,141,484
Excess (Deficiency) of revenues Over (Under) expenditures	2,510,594	2,929,920	3,448,579	1,912,965	284,284
Other Financing Sources (Uses)					
Transfers in	197,780	732,106	246,618	263,873	291,250
Transfers out	(1,723,681)	(2,364,678)	(1,848,290)	(2,594,296)	(494,783)
Refunding bonds issued		5,905,000			
Bond premium		438,570			
Payment to refunded bond escrow agent		(6,343,564)			
Proceeds from sale of capital assets	838	-			
Total other financing sources (uses)	\$(1,525,063)	\$(1,632,566)	\$(1,601,672)	\$(2,330,423)	\$(203,533)
Net change in fund balances	985,531	1,297,354	1,846,907	(417,458)	80,751
Fund Balances, Beginning of Year	22,764,750	23,750,281	25,047,635	26,872,054	26,454,596
Restatements			(22,488)		150,738
Fund Balances, End of Year	\$23,750,281	\$25,047,635	\$26,872,054	\$26,454,596	\$26,686,085

Source: City of Manhattan Beach

TABLE 4
City of Manhattan Beach
General Fund Balance Sheet
For the Fiscal Years ended June 30, 2016 through June 30, 2020

	2016	2017	2018	2019	2020
Assets:					
Pooled cash and investments	\$21,845,248	\$25,134,110	\$23,882,940	\$27,099,945	\$26,563,191
Receivables:					
Accounts	585,111	587,821	631,736	726,858	1,130,113
Taxes	3,777,330	3,127,883	3,142,363	2,963,009	2,307,664
Notes and loans	3,771,864	1,546,266	1,494,268	-	-
Accrued interest	293,118	423,965	566,547	699,777	695,674
Prepaid costs	82,138	133,786	753,765	684,023	50,207
Due from other funds	22,488	22,488	-	-	-
Due from other governments	166,467	196,125	1,801,610	922,759	384,546
Due from OPEB Trust Fund	132,665	134,449	276,109	315,517	309,945
Due from Pension Trust Fund	156,223	-	-	-	-
Inventories	-	-	-	7,167	22,915
Restricted assets:					
Cash and investments			763,621	1,068,946	1,365,844
Cash and investments with fiscal agents	12,586	115,706	95,200	90,858	86,200
Total Assets	\$30,845,238	\$31,422,599	\$33,408,159	\$34,578,859	\$32,916,299
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$2,174,626	\$1,756,755	\$1,616,499	\$2,851,147	\$1,906,444
Accrued payables	2,564,512	12,597	4,690	67,989	94,268
Management loan payable	108,224	-	-	-	-
Accrued payroll	-	460,171	470,299	481,256	607,299
Payroll liabilities	-	759,999	996,464	1,207,584	1,007,553
Unearned revenues	733,511	1,128,992	1,127,016	1,049,034	46,420
Deposits payable	1,267,987	1,753,305	2,090,239	2,297,045	2,009,612
Due to other funds	-	-	-	-	-
Interest payable	-	115,706	95,200	90,775	86,200
Total Liabilities	\$6,848,860	\$5,987,525	\$6,400,407	\$8,044,830	\$5,757,796
Deferred Inflow of Resources:					
Unavailable revenues	246,097	387,439	135,698	79,433	472,418
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	7,167	22,915
Prepaid costs	82,138	133,786	753,765	684,023	50,207
Notes and loans	3,771,864	1,546,266	1,494,268	-	-
Advances to other funds	-	-	-	-	-
Restricted for:					
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital projects	-	-	-	-	-
Post-employment benefits	-	-	763,621	1,068,946	1,365,844
Debt service	12,586	-	-	-	-
Committed to:					
Capital projects	-	-	-	-	-
School safety/security	-	-	1,000,000	-	-
Assigned to City retirement plans	-	-	-	-	130,114
Unassigned	19,883,693	23,367,583	22,860,400	24,694,460	25,117,005
Total Fund Balances	\$23,750,281	\$25,047,635	\$26,872,054	\$26,454,596	\$26,686,085
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$30,845,238	\$31,422,599	\$33,408,159	\$34,578,859	\$32,916,299

Source: City of Manhattan Beach

Sources of General Fund Revenues

The City intends to make debt service payments on the Bonds from moneys held in the General Fund. The General Fund accounts for resources traditionally associated with governments which are not required to be accounted for in another fund. See “APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020” herein. See Notes to Financial Statements for additional obligations of the City. General Fund revenues for fiscal years ended June 30, 2016 through 2020, are shown below, compiled from the City’s audited financial statements.

The following table shows the City’s General Fund revenues by source:

TABLE 5
City of Manhattan Beach
General Fund Revenues

Source:	<i>Fiscal Year Ended June 30</i>				
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Property Tax	\$26,344,276	\$28,215,709	\$30,318,225	\$32,107,341	\$34,002,017
Other Taxes					
(Sales, Hotel, Business License)	19,818,435	19,441,259	18,905,654	20,164,760	18,042,366
Licenses and Permits					
(Building, Construction, Film Permits)	2,796,838	2,703,626	3,365,669	3,048,263	2,572,460
Fines					
(Parking Citations, Vehicle Code Fines)	2,503,274	2,494,090	2,472,310	1,963,412	1,925,543
Interest and Rents					
(including Ground Leases)	3,717,747	3,455,654	2,746,518	5,304,823	4,875,067
Received From Other Agencies					
(Vehicle License Fees, Grants)	524,218	315,831	363,670	355,520	455,990
Service Charges (Plan Check Fees, P&R					
Class, Ambulance Fees)	6,572,389	8,019,934	9,075,601	8,412,968	7,103,286
Interfund Charges					
(Admin Service Charge)	2,996,532	2,996,532	3,180,389	3,663,481	3,569,704
Miscellaneous	1,494,448	1,709,522	1,180,783	1,112,149	879,335
Total	<u>\$66,768,157</u>	<u>\$69,352,157</u>	<u>\$71,608,819</u>	<u>\$76,132,717</u>	<u>\$73,425,768</u>

Source: City of Manhattan Beach

The following table shows a breakdown of particular tax revenues.

TABLE 6
City of Manhattan Beach
General Fund Tax Revenues
Fiscal Year Ended June 30

Source:	2016	2017	2018	2019	2020
Property Tax, levied for general purposes	\$26,344,276	\$28,215,709	\$30,318,225	\$32,107,341	\$34,002,017
Transient Occupancy Tax ⁽¹⁾	4,409,227	4,428,870	3,764,684	4,359,028	3,576,759
Sales Tax	9,348,605	8,962,617	8,970,809	9,339,305	8,407,953
Franchise Taxes	1,439,957	1,256,125	1,262,037	1,234,752	1,167,345
Business License Tax	3,475,792	3,658,194	3,718,418	4,053,020	3,652,228
Other Taxes	1,144,854	1,135,453	1,189,706	1,178,655	1,238,081
Motor Vehicle in Lieu	14,430	15,812	18,680	17,276	28,431
Homeowner Property Tax	149,503	150,544	150,422	147,608	145,181
Total	\$46,326,644	\$47,823,324	\$49,392,981	\$52,436,985	\$52,217,995

⁽¹⁾ Includes Vacation Rental Transient Occupancy Tax.
Source: City of Manhattan Beach

City Assessed Valuation. The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, school districts- and other special districts within the County area.

Set forth in the table below is a listing of the assessed valuations on taxable property in the City of Manhattan Beach.

TABLE 7
City of Manhattan Beach
Assessed Value and Estimated Actual Value of Taxable Property

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property	Total Taxable Assessed Value
2012	\$10,639,403,753	\$900,787,632	\$355,749,068	\$624,994,067	\$12,520,934,520
2013	11,115,348,658	873,633,618	273,166,539	782,689,333	13,044,838,148
2014	11,778,259,052	922,429,548	275,869,861	810,528,769	13,787,087,230
2015	12,500,544,975	959,518,199	281,151,363	791,941,297	14,533,155,834
2016	13,616,966,542	1,012,547,408	293,730,521	765,998,032	15,689,242,503
2017	14,551,610,225	1,105,261,590	298,209,901	824,621,493	16,779,703,209
2018	15,552,647,698	1,171,070,581	305,302,530	888,775,373	17,917,796,182
2019	16,543,536,695	1,199,124,711	311,408,568	950,206,556	19,004,276,530
2020	17,637,547,816	1,240,422,307	317,636,726	956,183,073	20,151,789,922
2021	18,693,054,628	1,319,603,226	495,751,708	727,457,734	21,235,867,296

Note: Secured property is property secured by the property as opposed to the property's owner. Unsecured property is property secured by the property owner. Secured property generally includes land and improvements. Unsecured property generally includes business property, boats, permanent (unlicensed) mobile homes, and other movable, assessable assets.

Source: Los Angeles County Auditor-Controller.

Tax Levies and Delinquencies. The basic tax rate for all taxing entities within a particular tax code area is \$1 per \$100 of assessed valuation in accordance with Article XIII A of the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters.

The City uses the services of the County for the assessment and collection of taxes. City taxes are collected at the same time and on the same tax rolls as are County, school district and special district taxes.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Taxes on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year and become delinquent after December 10 and April 10 respectively. Taxes on unsecured property are assessed and payable March 1 and become delinquent on August 31 in the next fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% of the delinquent taxes per month begins to accrue beginning November 1 of the fiscal year.

Commencing in June 1982, a 10% penalty was added to delinquent taxes which have been levied on property on the secured roll (a 6% penalty is charged on property taxes that became delinquent prior to June 1982). In addition, property on the secured roll with respect to which taxes are delinquent is declared to be tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more the tax-defaulted property is declared to be subject to the County Tax Collector's power of sale and may be subsequently sold within two years by the County Tax Collector.

Major Property Taxpayers. The following table sets forth a list of the top ten principal taxpayers within the City as of June 30, 2021, the net valuation of their property and the percentage which such taxpayer's property represents of the total assessed valuation of the taxable property in the City.

TABLE 8
City of Manhattan Beach
Principal Property Taxpayers
Fiscal Year 2020-21

<i>Taxpayer</i>	<i>Category</i>	<i>Net Value</i>	<i>Percentage of Total Assessed Valuation</i>
MBS Media Campus	Industrial	\$ 341,676,572	1.61%
Northrop Grumman Systems Corp	Industrial	211,456,904	1.00
Rreef America Relt II Corporation	Commercial	186,507,949	0.88
Manhattan Beach Hotel Owner	Commercial	116,440,432	0.55
ONNI Manhattan Towers LP	Commercial	108,911,775	0.51
Parstem Realty Company Inc	Commercial	76,783,735	0.36
WH Manhattan Beach LP	Commercial	57,562,719	0.27
Skechers USA Inc	Commercial	57,458,347	0.27
Coastal Market Plaza LLC	Commercial	53,040,000	0.25
1000 Cherry OCA LLC	Commercial	50,499,385	0.24
Top Ten Total		<u>\$ 1,260,337,818</u>	<u>5.93%</u>
City Total		<u><u>\$ 21,235,867,296</u></u>	

Source: County of Los Angeles

Construction

The following table shows residential and commercial construction activity in the City for each of the last ten fiscal years:

TABLE 9
City of Manhattan Beach
Construction Values
(Fiscal Years 2011-20)

<i>Fiscal Year</i>	<i>Residential Construction</i>		<i>Commercial Construction</i>	
	<i>Number of Permits</i>	<i>Total Value</i>	<i>Number of Permits</i>	<i>Total Value</i>
2011	1,023	\$58,150,910	297	\$12,388,604
2012	1,103	64,987,984	385	25,229,904
2013	1,320	92,943,546	227	13,254,672
2014	1,651	90,825,222	174	14,428,796
2015	1,411	109,926,628	238	37,010,740
2016	1,491	151,139,373	189	29,538,933
2017	1,274	105,679,317	252	25,315,010
2018	1,509	130,387,762	386	104,600,434
2019	2,274	130,610,222	318	53,781,075
2020	2,236	102,942,214	257	46,133,340

Source: City of Manhattan Beach Community Development Department.

Taxable Transactions

Revenues from taxable sales have ebbed and flowed with the economy over the last five years. Representing various major industry groups and geographic locations within the City, about 20 businesses generate approximately 50% of the City's sales tax revenues. The most consistent revenue generating business types include casual dining and fine dining restaurants, a motor vehicle dealer, and a variety of retail stores, including electronics/appliances, apparel, general merchandise and discount department stores. The following table sets forth the taxable sales in the City for the last five calendar years for which data is available.

TABLE 10
City of Manhattan Beach
Taxable Sales
(Calendar Years 2015-19)
(In Thousands)

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Apparel Stores	\$75,919	\$74,515	\$77,995	\$78,622	\$78,443
General Merchandise	102,310	101,038	96,353	96,372	96,939
Food Stores	33,110	34,634	33,270	33,882	36,633
Eating and Drinking Establishments	200,840	202,915	202,646	205,363	206,532
Building Materials	2,605	2,623	2,829	4,122	4,083
Service Stations	37,000	31,670	32,992	36,706	36,052
Other Retail Group	295,157	303,311	308,555	309,131	303,700
All Other Outlets	176,347	154,628	148,764	161,173	184,773
Total	\$923,288	\$905,334	\$903,404	\$925,371	\$947,155
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%

Source: City of Manhattan Beach

Direct and Overlapping Bonded Debt. The Debt Report includes only such information as has been reported by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

TABLE 11
City of Manhattan Beach
Direct and Overlapping Debt
(As of January 1, 2021)

2020-21 Assessed Valuation: \$21,235,867,296

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/21</u>	
Metropolitan Water District	0.651%	\$ 209,817	
El Camino Community College District	16.721	75,058,948	
Manhattan Beach Unified School District	99.998	188,692,640	
City of Manhattan Beach 1915 Act Bonds	100.	<u>18,170,000</u>	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$282,131,405	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	1.243%	\$32,717,534	
Los Angeles County Superintendent of Schools Certificates of Participation	1.243	56,748	
City of Manhattan Beach General Fund Obligations	100.	19,060,000	(1)
Los Angeles County Sanitation District No. 5 Authority	0.299	12,260	
Los Angeles County Sanitation District No. 18 Authority	0.792	11,105	
Los Angeles County Sanitation District South Bay Cities Authority	41.601	<u>290,735</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$52,148,382	
 COMBINED TOTAL DEBT		 \$334,279,787	 (2)

(1) Excludes issue to be sold.

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

Ratios to 2020-21 Assessed Valuation:

Combined Direct Debt (\$19,060,000)	0.09%
Total Overlapping Tax and Assessment Debt.....	1.33%
Combined Total Debt	1.57%

Source: CalMuni

Outstanding General Fund Debt and Lease Obligations. The City currently has outstanding general fund debt and lease obligations described below. The City has never defaulted on the payment, principal of, or interest on any of its indebtedness.

In July 2012, the City executed and delivered \$12,975,000 Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012 to refinance bonds previously issued to finance costs of the Metlox development in the City as well as certain capital costs of the City's wastewater system. The 2012 Refunding Certificates have interest rates ranging from 2% to 4% and mature in 2032. The remaining annual debt service payment is approximately \$857,000.

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Facility Certificates of Participation ("2004 Certificates"). Proceeds of the 2004 Certificates issue were used to pay the costs of a new \$41 million combined Police and Fire safety facility. The 2013 Refunding Certificates have interest rates ranging from 2% to 4% and mature in 2032. The remaining annual debt service payment is approximately \$732,000.

In December 2016, the City issued \$5,905,000 Certificates of Participation (Marine Field Refunding) Series 2016 to refinance the cost of the City's Marine Sports Field. The 2016 Refunding Certificates have interest rates ranging from 3% to 4% and mature in 2033. The remaining annual lease payment for 2016 Refunding Certificates is approximately \$482,000.

Following is a summary of the principal amounts of the City's outstanding long-term obligations payable from the General Fund as of June 30, 2020.

TABLE 12
Outstanding Principal Amounts of
Long Term Obligations
(As of June 30, 2020)

Marine Ave Certificates	\$ 5,040,000
Police & Fire Facility Refunding Certificates	7,165,000
Metlox Parking/Water Wastewater Refunding Certificates	8,375,000
Total	\$ 20,580,000

Non-General Fund Obligations. The City has issued several series of bonds to finance the undergrounding of utility wires and related equipment. These voter-approved bonds are secured solely by assessments levies on the particular districts (generally consisting of 200-300 properties) in which the undergrounding occurred. These bonds are not payable from the City's General Fund, or from any other funds of the City.

Potential Costs Related to Storm Water Improvements

In connection with increasing regulatory focus on mitigating storm water runoff and resulting discharge of pollutants into the Pacific Ocean, in June 2015, the City, in cooperation with the cities of Hermosa Beach, Redondo Beach and Torrance, along with the Los Angeles County Flood Control District (collectively, the "Beach Cities") submitted an Enhanced Watershed Management Program ("EWMP"), as part of the City's compliance with the City's National Pollution Discharge Elimination System Permit ("NPDES Permit").

The most significant component of the EWMP was the development of a list of projects that would achieve the desired pollutant reduction levels as required by the Los Angeles Regional Water Quality Control Board (the "Regional Board"). The preliminary estimates of the total construction cost (for all of the Beach Cities) prepared in 2015 connection with the EWMP range from approximately \$54.6 million to \$101 million, with estimated annual operating costs ranging from \$1.3 million to \$2.1 million. Certain environmental groups

have brought actions challenging the EWMP, generally asserting that the requirements of the EWMP are not sufficiently protective of water quality. The City, together with 19 other cities in Los Angeles County is defending itself in this action.

The Beach Cities' individual contributions would be based on their relative proportional geographic tributary area. Preliminary estimated lifecycle construction costs through 2032 for the City range from \$10.7 million to \$22.3 million, with estimated annual operations and maintenance costs ranging from \$185,000 to \$315,000. The particular projects and monitoring to be undertaken by the Beach Cities is set forth in the Coordinated Integrated Monitoring Program ("CIMP"), which was most recently revised in July 2018. The combined current cost for the CIMP is approximately \$315,000 annually. The Beach Cities' individual contributions are based on the relative proportional geographic tributary area.

In 2018 Measure W, voters in the Los Angeles County Flood Control District, which covers the majority of Los Angeles County (including the City) approved a parcel tax for storm water projects, infrastructure, and programs. The City expects to receive approximately \$410,000 annually from Measure W funds. Despite the Measure W funding, the Beach Cities (including the City) do not have sufficient funds to implement all of the projects set forth in the EWMP. Since a funding plan is not required as a Permit requirement, the development of the EWMP in 2015 kept the Beach Cities in compliance with the Permit. However, funding remains a large issue that must be resolved in order to comply with the pollutant reduction deadlines identified in the EWMP. The City is exploring various sources of funding, including grants, voter-approved bonds, storm water assessments, and potential cost recovery from the State of such costs as an unfunded mandate. The City and Beach Cities intend to apply for regional funding for projects identified in the EWMP.

There can be no assurances that compliance with the EWMP (or potential penalties resulting from failure to comply) and the NPDES Permit will not require expenditures of significant amounts from the General Fund in the future.

Investment of City Funds

The City and its component units are generally authorized under its investment policy and Section 53601 of the California Government Code, bond indentures and local resolutions to invest in demand deposits with financial institutions; savings accounts; certificates of deposit; U.S. Treasury securities; federal agency securities; State of California notes or bonds; repurchase agreements; medium term corporate notes; bankers' acceptances; commercial paper; and the Local Agency Investment Fund of the State of California. The City's investment policy allows for the purchase of most of the investment vehicles authorized under Section 53601 of the California Government Code.

The City and its component units have also established guidelines for security purchases with investment limitations as follows: Bankers acceptances may not exceed 20% of the City's surplus money. Negotiable certificates of deposits may not exceed 20% of the City's surplus money. Commercial paper may not exceed 270 days maturity nor exceed 15% of the City's surplus funds. Medium term corporate notes may not exceed 20% of the City's surplus funds, cannot currently exceed a five-year term and must be made within Moody's Aaa – A1 or Standard & Poor's AAA – A+ rating categories. Investments in repurchase agreements may not exceed a term of one year. The City's investment policy specifically prohibits investments in reverse repurchase agreements and derivatives, including interest rate floaters, range notes and mortgage derived interest-only strips. Further, the policy prohibits investment in California state and local obligations, mutual funds and mortgage pass through securities.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of January 31, 2021, 31% of the portfolio consisted of federal agency notes and U.S. Treasury securities, 13% in high grade corporate notes, and 56% in cash or invested in liquid state investment pools. The average maturity of the portfolio was 367 days. As of January 31, 2021 the market value of the City's investment portfolio was \$129,485,825 and the investment portfolio's book value was \$127,169,258. The following table summarizes certain information relating to the City's investment portfolio as of January 31, 2021:

TABLE 13
City of Manhattan Beach
Investment Portfolio Summary
(as of January 31, 2021)

<i>Type of Investment</i>	<i>Book Value</i>
Cash	\$ 6,262,331
Local Government Fund	65,000,000
US Treasury and Agency Note	39,966,027
Medium Term Note	15,940,900
Total	\$ 127,169,258

The portfolio represents cash and investments across several funds. The General Fund represents approximately 12.6% of the total portfolio and the general Capital Improvement Project Fund approximately 5.2%; the Underground Assessment Districts Fund approximately 6.9%; the Insurance Reserve Fund, approximately 12.9%; the Water, Stormwater and Wastewater Utility Funds approximately 47.0%; and various Street and Road Funds (e.g. Gas Tax, Prop A, Prop C, Measure R, and Measure M) together total about 7.3%. The remaining funds comprise 8.1% of the total portfolio.

City Employees Retirement Program

The City contributes to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All permanent City employees are eligible to participate in PERS. Participants in the plan vest after 5 years of employment. The City has a two-tiered ("Classic" and "New") retirement plan with benefits varying by plan. All plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

For "Classic" employees, the City of Manhattan Beach has three defined benefit plans: Police ("3% at 50"), Fire ("3% at 55") and Miscellaneous ("2% at 55"). Employees receive annual retirement benefits calculated based on age at retirement, years of membership service and the amount of earnings based on the highest consecutive 12 months average.

"New" members are defined by the California Public Employees' Pension Reform Act ("PEPRA"), which took effect in January 2013. "New" members to the safety service (Police and Fire) are subject to a 2.7% at 57 formula, while non-safety "New" members receive a 2% at 62 plan. Employees receive annual retirement benefits calculated based on age at retirement, years of membership service and the amount of earnings based on the highest annual average during a consecutive three-year period. Mandatory employee pension contributions are also included in the formulae for the "New" employee tier. See note 9

Effective during fiscal year 2012-2013, City employees commenced payment of the employee portion of pension contributions, which were previously paid by the City on the employees' behalf. Additionally, "Classic" members of the Firefighters Association, Police Officers' Association and Police Management Association commenced cost sharing 3% of the Employer portion of the pension contribution (the cost sharing contributions are reflected in the Employer payments in Table 14). Subsequently, the Fire Management Association entered into a 3% cost sharing agreement in fiscal year 2020-2021.

See Note 9 in Appendix A – “CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020” for number of participants currently in the City’s CALPERS retirement plans, as well additional information relating to benefits provided. Note 9 also describes the City’s net pension liability, calculated in accordance with the requirements of Governmental Accounting Standards Board Statement No. 75.

City Contributions. The following table shows City contributions to PERS for Fiscal Years 2016-17 through 2019-20, as well as expected contributions for Fiscal Year 2020-21.

TABLE 14
Historical Payments to PERS
Fiscal Year Ending June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> <u>(Estimated)</u>
<u>Police</u>					
Employee	\$914,181	\$984,136	\$993,418	\$1,061,170	\$1,041,717
Employer	<u>2,868,255</u>	<u>2,965,431</u>	<u>3,403,805</u>	<u>4,006,527</u>	<u>4,355,665</u>
Subtotal	\$3,782,436	\$3,949,567	\$4,397,223	\$5,067,697	\$5,397,382
<u>Fire</u>					
Employee	\$496,957	\$578,249	\$579,288	\$586,073	\$640,363
Employer	<u>1,354,517</u>	<u>1,470,599</u>	<u>1,694,338</u>	<u>1,991,224</u>	<u>2,143,137</u>
Subtotal	\$1,851,474	\$2,048,848	\$2,273,626	\$2,577,297	\$2,783,500
<u>Misc</u>					
Employee	\$1,046,851	\$1,085,062	\$1,137,204	\$1,150,678	\$1,232,310
Employer	<u>2,253,184</u>	<u>2,397,805</u>	<u>2,828,620</u>	<u>3,194,528</u>	<u>3,442,669</u>
Subtotal	<u>3,300,035</u>	<u>3,482,867</u>	<u>3,965,824</u>	<u>4,345,206</u>	<u>4,674,979</u>
Total	\$8,933,945	\$9,481,282	\$10,636,673	\$11,990,200	\$12,855,861

Note: Includes both “Classic” and “New/PEPRA” tiers.

Source: City of Manhattan Beach

These costs have significantly increased in the past several years due to a variety of reasons, including the investment performance of CalPERS being less than the actuarially assumed rate. CalPERS recently began implementing risk mitigation strategies that will result in large increases in annual pension costs to public agencies, due to changes in actuarial smoothing and mortality assumptions to help ensure the pension plans are financially sound and that they become fully funded. Assuming that actuarial assumptions are realized (including the currently assumed investment rate of 7.0% annually), the CalPERS valuations projects that by Fiscal Year 2024-2025, pension costs will increase by approximately \$4.5 million. These estimates were prepared in connection with the consideration of the Fiscal Year 202-21 budget, and do not reflect any savings expected to result from the issuance of the Bonds. Actual contribution rates will depend on a variety of factors, including investment return and changes in actuarial assumptions.

Funded Status and Funding Progress. The following tables show the City’s historical funding progression for Fiscal Years 2014-15 through 2018-19, as of a June 30 actuarial valuation date. As described in “PLAN OF REFINANCING,” unfunded liability of all of the plans described below is being refunded through the issuance of the Bonds.

Police Plans. The funding history below for the Police Plans shows the plans' actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

TABLE 15A
Funding History – Classic Police Plan

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2015	\$111,628,651	\$85,572,426	\$26,056,225	76.7%	\$7,784,147
6/30/2016	117,563,901	83,720,446	33,843,455	71.2	8,359,313
6/30/2017	127,703,281	93,248,395	34,454,886	73.0	7,917,240
6/30/2018	139,625,908	99,840,670	39,785,238	71.5	7,073,910
6/30/2019	144,642,132	102,702,043	41,940,089	71.0	7,156,147

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2019.

TABLE 15B
Funding History – PEPR Police Plan

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	\$106,902	\$98,242	\$8,660	91.9%	\$417,816
6/30/2017	225,489	215,603	9,886	95.6	463,567
6/30/2018	409,690	377,401	32,289	92.1	651,624
6/30/2019	667,743	611,852	55,891	91.6	1,051,926

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2019.

Fire Plans. The funding history below shows the Fire Plans; actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

TABLE 15C
Funding History – Classic Fire Plan

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2015	\$56,728,011	\$45,251,516	\$11,476,495	79.8%	\$4,613,040
6/30/2016	59,357,799	43,859,609	15,498,190	73.9	4,687,123
6/30/2017	63,162,015	47,397,072	15,764,943	75.0	4,800,751
6/30/2018	67,524,160	49,151,848	18,372,312	72.8	4,712,888
6/30/2019	69,653,716	50,184,608	19,469,108	72.0	4,978,563

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2019.

TABLE 15D
Funding History – PEPRA Fire

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	\$1,861	\$1,725	\$136	92.7%	\$95,245
6/30/2017	21,904	21,252	652	97.0	101,828
6/30/2018	58,921	54,286	4,635	92.1	115,676
6/30/2019	96,527	89,587	6,940	92.8	125,183

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2019.

Miscellaneous Plan. The table below shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

TABLE 15E
Funding History – Miscellaneous Plan

Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2015	\$90,392,539	\$72,766,527	\$17,626,012	80.5%	\$14,538,038
6/30/2016	94,852,959	72,288,635	22,564,324	76.2	15,583,576
6/30/2017	101,777,956	79,616,300	22,161,656	78.2	16,114,517
6/30/2018	112,239,423	85,430,559	26,808,864	76.1	16,285,630
6/30/2019	118,377,736	90,121,723	28,256,013	76.1	17,004,416

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2019.

Unfunded Pension Liability Policy

On March 2, 2021, the City Council adopted an Unfunded Pension Liability Policy (the “Policy”) to provide guidance on the development and adoption of a funding plan for any unfunded accrued liabilities that may arise in the future. The City’s overall objective as set forth in the Policy is to fund its obligation near 100% of the total accrued liability and no less than 80%, whenever possible. The Policy provides that any savings realized from the issuance of the Bonds, as determined by comparing debt service on the Bonds and fiscal year 2020-2021 CalPERS actuarial determined contributions, will be allocated as follows: approximately 60% of the savings will be used to offset future unfunded liability costs and approximately 40% of the savings will be used

for future capital improvements, infrastructure needs and/or debt service. The Policy provides that, each year during the budget process, a recommendation for the precise savings allocation for the next fiscal year will be determined based on CalPERS' latest year-end investment return. If CalPERS' fiscal year-end investment return is below its benchmark, the City will allocate a higher portion of savings to fund future UAL costs. Alternatively, if CalPERS' Unfunded Pension Liability Policy, fiscal year-end investment return is higher than its benchmark, then the City may allocate more of the budgetary savings to offset General Fund operational costs. The Policy may be revised from time to time by the City Council in its discretion.

OPEB

The City also provides certain other post-employment benefits ("OPEBs") to employees, generally consisting of \$250 to \$400 per month paid directly to the employee to be used towards the health insurance premiums. Employees who retire from employment with the City and meet service requirements ranging from 5 to 20 years are eligible. The plan and payment amounts are established by Memoranda of Understanding with the applicable employee bargaining units, or the City's Personnel Rules and Regulations, and may be amended by agreement between the City and the bargaining units/employees. In Fiscal Year 2019-20, the City paid \$159,097 to retirees.

The City of Manhattan Beach contracts with PERS to participate in the Public Employee Medical and Hospital Care Act ("PEMHCA"). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through PERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by PERS. For Fiscal Year 2019-20, the City contribution paid to PERS for PEMCHA was \$150,848. For active employees, the City paid \$4,286,341 for medical insurance costs.

The plan is financed via actuarially determined contributions deposited into the California Employees' Retirement Benefit Trust ("CERBT") managed by PERS. City payments to employees and PERS will be reimbursed by payments from CERBT. For fiscal year 2019, the City paid \$315,517 for retiree medical benefits and was reimbursed \$315,517 from CERBT.

In order to comply with Government Accounting Standards Board Statement 75, the City regularly conducts an actuarial valuation of its OPEB obligations to determine its Net OPEB Liability. As described in Note 11 in "APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020," the City's Net OPEB liability as of June 30, 2019 (the last year for which the Net OPEB liability is available) was approximately \$7.5 million. The increase from the June 30, 2018 Net OPEB liability of approximately \$(4.0) million was primarily due to a change in the accounting discount rate from 6.50% to 4.00%.

For a detailed description of the City's pension and OPEB obligations, see Note 11 in "APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020."

City Insurance Program

The City is subject to various risks of loss related to employee injury or illness, torts, property damage, employer liability, errors and omissions, and natural disasters.

The City is self-insured for its workers' compensation and liability claims and maintains excess insurance through a Joint Powers Authority (JPA): Public Risk Innovation, Solutions, and Management (PRISM). PRISM is a public entity risk management and insurance pool. Its membership includes 95% of counties, 70% of cities, as well as educational organizations, special districts, housing authorities, fire districts, and other JPA's.

The City's self-insured retention (SIR) amount for its workers' compensation claims is \$750,000. Coverage in excess of the SIR amount and up to the statutory limit is maintained through PRISM. The City's SIR amount for its liability claims is \$500,000. Excess liability is maintained through PRISM for coverage up to \$25,000,000. A third party administers the workers' compensation and liability claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2020, the amount of these liabilities was \$17,621,326. The amount represents an estimate of \$10,888,518 for reported claims through June 30, 2020, and \$6,732,808 of estimated incurred but not reported claims.

The City also maintains cyber liability insurance, crime coverage, and property insurance, which includes coverage for the perils of flood, earthquake, and auto physical damage.

For information concerning the City's insurance program, see Note 13 in "APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020."

Public Utilities

Electrical service is provided by Southern California Edison; Southern California Gas provides natural gas. The City is served by Verizon and Time Warner for communications and video services.

Water and wastewater services are provided by the City. The City's water system currently consists of four pump stations, two storage reservoirs, one elevated storage tank, two water supply wells and approximately 112 miles of water distribution pipelines. The City wastewater system includes gravity lines, manholes, pumping stations and force mains and serves the majority of the area within the City.

Community Facilities

There are forty acres of recreational beach area and a pier along the shoreline of the City. Two community centers are available within the City. The Parks & Recreation Department provides an array of facilities that include athletic fields, tennis, paddle tennis, volleyball and basketball courts, jogging and bike paths, swimming pool, and dozens of sports programs and fitness classes. Throughout the City there are 11 parks providing 80 acres of parkland including 18 ball fields, 5 batting cages, 18 tennis courts (including 2 paddle tennis courts), 4 racquetball courts, 3 basketball courts, 2 par golf courses, a 1.7-mile jogging path, a 9-hole golf course and a large recreational pool. At Mira Costa High School, in addition to athletic fields and tennis courts, facilities available for public use include a gymnasium and track. Also located within the City is a 2-mile walking and jogging path that runs parallel to a bike path along the beach. Stretching along the beach spanning north and south of the Manhattan Beach Pier are over 150 volleyball courts which are also available for private or public use. The County of Los Angeles maintains the beaches and one library.

RISK FACTORS

Prospective purchasers of the Bonds should carefully consider all possible factors that may affect the ability of the City to pay principal of and interest on the Bonds. The Bonds may not be a suitable investment for all prospective purchasers.

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds and there can be no assurance that other risk factors will not become material in the future. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

City Obligations

The City has other obligations payable from its General Fund and other lawfully available funds of the City, including but not limited to debt obligations, lease obligations and certain other liabilities. The Trust Agreement does not prohibit the County from incurring additional debt, lease or other obligations payable from the City's General Fund and other lawfully available funds in the future (including Additional Bonds to finance Pension Liability), which may reduce City moneys available to pay the Bonds.

In addition, although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes in order to raise sufficient revenues to pay the Bonds. See the caption "CITY FINANCIAL INFORMATION—Other Indebtedness" for a description of the City's current obligations.

COVID-19

On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to the novel coronavirus identified as COVID-19. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020 the President declared a national state of emergency. Since then, tens of millions of cases of COVID-19 have been diagnosed throughout the country, resulting in hundreds of thousands of deaths. In response to the COVID-19 pandemic, governmental authorities, including the State of California, the County of Los Angeles and the City, have implemented, and revised from time to time, restrictions on mass gatherings and widespread closings and modifications of the operations of businesses, universities and schools. The severe drop in economic activity commencing in spring 2020 caused by the COVID-19 pandemic resulted in a recession that ended the nation's record-long economic expansion in February 2020.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. Health care workers and residents in long-term care facilities were initially given priority to receive the COVID-19 vaccine, followed by essential workers and Californians based on age. Supplies of the vaccines are currently limited and dependent on federal distribution.

The COVID-19 pandemic has disrupted, and continues to disrupt, large sectors of the state economy and remains a significant risk. A continued spread of the COVID-19 virus, future outbreak of the COVID-19 virus or another infectious disease, or the fear of any such outbreak, and measures taken to prevent or reduce it, could adversely impact State, national and global economic activities and, accordingly, adversely impact the financial condition and operations of the City, and the extent of impact could be material. The City cannot predict the duration of COVID-19, the duration or expansion of travel restrictions and warnings, whether additional countries or destinations will be added to the travel restrictions or warnings, and what effect such travel restrictions and warnings may have on tourism-related revenues. Additionally, the City cannot predict what impact COVID-19 may have on the City's general financial condition or operations, or the assessed values of property within the City.

There are many variables that will continue to contribute to the economic impact of the COVID-19 outbreak and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments' relief programs and the timing for the containment and treatment of COVID-19.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For the past several Fiscal Years, sales tax revenues have been the second largest source of General Fund revenues to the City.

Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example,

in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to decline. An economic recession would also be expected to affect hotel occupancy within the City, and consequently, the City's receipt of transient occupancy taxes. See the caption "THE CITY—COVID-19 Outbreak," "CITY FINANCIAL INFORMATION—Sales Taxes" and "CITY FINANCIAL INFORMATION—Other Taxes and Other Revenues."

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, including any initiative by City voters under Article XIII C of the California Constitution to repeal the transient occupancy tax, could have an adverse effect on sales tax revenues received by the City. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Finally, many categories of transactions are exempt from the Statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City's sales tax could also be changed.

Assessed Value of Taxable Property

Property taxes are the largest source of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, wildfire, ongoing drought, toxic dumping, erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. See the captions "—Natural Disasters" and "—Hazardous Substances."

In addition, economic and market forces, such as a downturn in the regional economy, could affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced in the past. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for property taxes. Section 2(b) of Article XIII A of the State Constitution and Section 51 of the State Revenue and Taxation Code, which were adopted pursuant to Proposition 8, which was adopted in 1978, require the County assessor to annually enroll either a property's adjusted base year value (the "Proposition 13 Value") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, such lower value is referred to as the "Proposition 8 Value."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds the Proposition 13 Value attributable to a piece of property (adjusted for inflation) does a county assessor reinstate the Proposition 13 Value.

Decreases in the assessed value of taxable property within the City resulting from a natural disaster or other calamity, economic recession, reclassification by ownership or use or as a result of the implementation of

Proposition 8 all may have an adverse impact on property tax collections by the City, and consequently, the General Fund revenues that are available to make debt service payments on the Bonds.

Increasing Retirement-Related Costs

The City is required to make contributions to CalPERS and to the OPEB Benefit plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. The City notes that pension contributions in future years may increase as a result of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City." There can be no assurances that actual increases in required contributions will not be higher than the amounts which are currently projected by the City. See the captions "CITY PENSION PLANS" and "CITY FINANCIAL INFORMATION—Other Post-Employment Benefits."

Dependence on State for Certain Revenues

A number of the City's revenues are collected and dispersed by the State (such as sales taxes and the VLF) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, including as a result of the COVID-19 outbreak that is discussed under the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City," there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION."

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the Bonds.

Litigation

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (as discussed under the caption "THE CITY—Risk Management"), the City cannot predict what types of liabilities may arise in the future.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, which results in significant damage within the City or otherwise significantly impacts the economy of the City could materially adversely affect the financial condition of the City. See the caption "THE CITY—Risk Management."

The occurrence of a natural disaster affecting the City, such as an earthquake or tsunami, could materially adversely affect the financial condition of the City. The City, like much of California, frequently experiences seismic activity. The Inglewood fault line is near the City.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage, particularly to residential buildings, older wooden or unreinforced masonry buildings and mobile homes. The effects of such an earthquake could be aggravated by

aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction, floods and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially affect the City's economy and reduce General Fund revenues, which could affect the payment of the principal of and interest on the Bonds. In particular, if a natural disaster were to result in reduced assessed valuations of property within the City, the amount of property tax revenues (which constitute the City's largest source of General Fund revenues) could be reduced. See the caption "CITY FINANCIAL INFORMATION—Property Taxes."

The City maintains liability insurance and property casualty insurance (including limited earthquake coverage) for City infrastructure. See the caption "THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Climate Change

As greenhouse gas emissions ("GHGs") continue to accumulate in the atmosphere as a result of human activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

The City has been committed to reducing GHGs and continues to take action. Though the City (1) already regularly reports to the Carbon Disclosure Project, (2) is part of the bi-partisan Compact of Mayors committed to upholding the Paris Climate Agreement, (3) joined Clean Power Alliance and committed to powering Manhattan Beach with 100% renewable energy and (4) enacted several energy efficiency measures, the City recognizes that further actions need to be taken in order to reach the GHG emission targets set by the state of California. The City believes its efforts have positioned it with state requirements for renewable energy (SB 100), waste diversion (AB 341) and climate adaptation (SB 379).

The City has created a Climate Resiliency Program, called Climate Ready Manhattan Beach ("Climate Ready MB"). The Climate Ready MB program includes completing a sea level rise vulnerability assessment; creating a Climate Action and Adaptation Plan; and updating the City's Local Coastal Program-Land Use Plan, Local Hazard Mitigation Plan, and General Plan - Safety Element. Supported in part by a grant from the California Coastal Commission, Climate Ready MB is intended to help the City be more prepared for climate change, especially during a confluence of events such as sea level rise, extreme high tides, storm surges, heavy precipitation, and coastal erosion. The City's climate hazard analyses include a Multi-Hazard Confluence Modeling on Stormwater Infrastructure Vulnerability Assessment, a Groundwater and Sea Level Rise Vulnerability Analysis. In order to protect the City's coastline and infrastructure and comply with state mandates, the City is studying its vulnerability to sea level rise; however, the City is also identifying other local climate change impacts that could occur, such as an increase in extreme heat days and more severe storms. In collaboration with the community and stakeholders, the City is developing strategies to increase the community's resilience to climate change impacts and cut carbon emissions.

Concurrently, the City has formed a collaborative partnership between The Bay Foundation and Los Angeles County Department of Beaches and Harbors on a pilot beach dune enhancement and restoration project to increase the resiliency of the City's shoreline in the face of sea level rise and coastal storm erosion. The project is currently in the planning and permitting phase with ongoing public engagement activities, and is fully-funded by a grant from the State Coastal Conservancy.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. There have been significant cybersecurity incidents affecting municipal agencies.

The City has implemented a multi-level security scheme that provides protections at the network, server, and end user levels. This includes implementing solutions that monitor, block, and alert potential threats at all levels of the City's technology infrastructure. A monitoring, detection, and response service was implemented that evaluates incoming and outgoing network traffic, as well as other key infrastructure components for behaviors that may be indicative of a cyber-attack. The City uses anti-virus and malware to proactively scan and remediate all emails and to protect end user devices. In addition, a continuous cybersecurity training program was adopted to keep end users aware of the ever changing threats. On a regular basis, the City contracts with an external cybersecurity consultant to perform network vulnerability and penetration testing.

Limitation on Sources of Revenues

Although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes, assessments, fees or charges in order to raise sufficient revenues to pay the Bonds. In the event that the City were to choose to do so, the State Constitution contains significant limitations and imposes significant procedural requirements which affect the City's ability to increase City revenues. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

In addition, under the State Constitution, voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. The City is unable to predict whether any such initiatives or referenda might be submitted to or approved by the voters, the nature of such initiatives or referenda or their potential impact on the City and its operations.

Economy of City and State

A deterioration in the level of economic activity in the City, the State or the United States, including as a result of the COVID-19 outbreak that is discussed under the caption "THE CITY—COVID-19 Outbreak," could have a material adverse effect on the City's general revenues and on the ability of the City to pay principal of and interest on the Bonds. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION" for information about the State's economy and State budget.

Limitation on Remedies; Bankruptcy

General. The enforcement of any remedies that are provided for in the Trust Agreement could prove both expensive and time consuming. The rights and remedies that are provided in the Trust Agreement may be limited by and are subject to: (i) the limitations on legal remedies against cities in the State, including State Constitutional limits on expenditures and limitations on the enforcement of judgments against funds that are needed to serve the public welfare and interest; (ii) federal bankruptcy laws, as now or later enacted, as discussed in detail under the caption "—Bankruptcy" below; (iii) applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect; (iv) equity principles which may limit the specific enforcement under State law of certain remedies; (v) the exercise by the United States of America of the powers delegated to it by the Constitution; and (vi) the reasonable and necessary exercise, in certain exceptional situations, of the police powers that are inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions that will be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, the Trust Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities in the State.

Failure by the City to pay principal of or interest on the Bonds or failure to observe and perform any other terms, covenants or conditions of the Trust Agreement for a period of 60 days after written notice of such failure and request that it be remedied has been given to the City by the Trustee, constitute events of default under the Trust Agreement and permit the Trustee to pursue the remedies that are described in the Trust Agreement. In the event of a default, there is no right under any circumstances to accelerate payment of the Bonds or otherwise declare any Bonds that are not then in default to be immediately due and payable.

Any suit for money damages against the City would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Bankruptcy. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the City, may become subject to the provisions of Title 11 of the United States Code (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the Trustee could be prohibited from taking any steps to enforce their rights under the Trust Agreement or from taking any steps to collect amounts due from the City on the Bonds.

In particular, if the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors.

The Bonds are not secured by any property other than the funds that the City has actually deposited with the Trustee. If the City is in bankruptcy, it may not be obligated to make any further deposits with the Trustee, it may not be obligated to make any further allocations to the Bonds and it may not be obligated to turn over to the Trustee any moneys that have been allocated to the Bonds in the City treasury. As a result, the Bonds would likely be treated as unsecured obligations of the City in the bankruptcy case. Under such circumstances, the Owners of the Bonds could suffer substantial losses.

The Adjustment Plans approved by the bankruptcy courts in connection with the bankruptcies of the Cities of Stockton and San Bernardino, among others, resulted in significant reductions in the amounts payable by such city under pension obligation bonds that were substantially identical or similar to the Bonds. Specifically, in the Stockton bankruptcy, the court held that CalPERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. Additionally, in the San Bernardino bankruptcy, the court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to CalPERS. The City can provide no assurances about the outcome of the bankruptcy cases of other municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

The City may be able, without the consent and over the objection of the Trustee or the Owners of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants and other terms or provisions of the Trust Agreement and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact that a City bankruptcy proceeding has occurred could have an adverse effect on the liquidity and value of the Bonds.

Limitation on Trustee's Obligations

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee's willingness and ability to pursue any of the remedies provided in the Trust Agreement may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Trust Agreement.

Limited Secondary Market

Investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risks of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the Bonds can or could be sold for any particular price.

Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

In addition, the City will enter into a continuing disclosure undertaking pursuant to Rule 15c2-12 in connection with the issuance of the Bonds. Any material failure to comply with such undertaking and Rule 15c2-12 in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market. See the caption "CONTINUING DISCLOSURE."

Changes in Law

There can be no assurance that the electorate of the State will not adopt additional initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State in a manner that results in a reduction of General Fund revenues of the City and consequently, has an adverse effect on the security for the Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’, or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978 and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes that are subject to Proposition 13 are a significant source of the City’s General Fund revenues. See the caption “CITY FINANCIAL INFORMATION—Property Taxes.”

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (for new construction, change of ownership or 2% annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances.

Article XIII B of the State Constitution

On November 6, 1979, State voters approved an initiative entitled “Limitation on Government Appropriations,” which added Article XIII B to the State Constitution. Under Article XIII B, State and local government entities have an annual “appropriations limit” which limits the ability to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues and investment proceeds thereof, certain State subventions and regulatory license fees, user charges and user fees to the extent that the proceeds thereof exceed the costs of providing such services, together called “proceeds of taxes,” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations limit,” including debt service on indebtedness existing or authorized as of October 1, 1979 or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if those entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Increases in appropriations by a governmental entity are permitted: (i) if financial responsibility for providing services is

transferred to a governmental entity; or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City's appropriations have never exceeded the limitation on appropriations under Article XIII B of the State Constitution.

Proposition 62

On November 4, 1986, State voters approved an initiative ("Proposition 62") which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax that is imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Following the *Guardino* decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. In 2001, the State Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.*, 25 Cal.4th 809 (2001). In *La Habra*, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City believes that all of the taxes that the City currently collects comply with the requirements of Proposition 62. However, the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the implementation of any tax increases after November 5, 1996. See the caption "—Proposition 218" below.

Proposition 218

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments (meaning any levy or charge upon real property for a special benefit conferred upon the real property) and property-related fees and charges. Proposition 218 states that all taxes which are imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose,

extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIII A of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property-related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions is to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

In the case of assessments, fees and charges, in most instances, in the event that the City is unable to collect revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. However, no assurance can be given that the City may or will be able to reduce or eliminate such services to avoid new costs for the City General Fund in the event that the assessments, fees or charges which presently finance them are reduced or repealed.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and is not limited to property-related taxes or other charges, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s General Fund.

Although a portion of the City’s General Fund revenues are derived from general taxes purported to be governed by Proposition 218, as discussed under the caption “CITY FINANCIAL INFORMATION,” the City believes that all of such taxes were imposed in accordance with the requirements of Proposition 218.

Proposition 1A

As part of former Governor Schwarzenegger’s agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A (“Proposition 1A”) at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and VLF revenues as of November 3, 2004. Beginning with Fiscal Year 2009, the State was entitled to borrow up to 8% of local property tax revenues, but only if the Governor proclaimed that such action was necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years with interest. The State also was not able to borrow from local property tax revenues for more than two Fiscal Years within a period of ten Fiscal Years. In addition, the State could not reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2010 State budget included a Proposition 1A diversion of \$1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State General Fund spending. Such diverted revenues were required to be repaid, with interest, by no later than June 30, 2013. Many provisions of Proposition 1A were superseded by Proposition 22. See the caption “—Proposition 22.”

Proposition 22

On November 2, 2010, State voters approved Proposition 22, which eliminates the State’s ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State’s authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State’s ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds. Proposition 22 superseded certain provisions of Proposition 1A. See the captions “—Proposition 1A” and “CITY FINANCIAL INFORMATION—Property Taxes.”

Proposition 26

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amended Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs of a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Future Initiatives

Articles XIII A and XIII B and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. The limitations imposed upon the City by these provisions hinder the City’s ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time other initiative measures could be adopted, further affecting the City’s current revenues or its ability to raise and expend revenues. Any such future initiatives could have a material adverse effect on the City’s financial condition.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is *not* excluded from gross income for federal income tax purposes under Section

103 of the Internal Revenue Code of 1986, as amended (the “Code”), but is exempt from State of California personal income tax.

With certain exceptions, 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 (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Bond will increase the Beneficial Owner’s basis in the Bond. Beneficial Owners of the Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Bond Beneficial Owner’s basis in the applicable Bond (and the amount of taxable interest received with respect to the Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. The Beneficial Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of the Bonds, such Bonds might be treated as retired and “reissued” for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Beneficial Owner generally equal to the difference between the amount deemed realized from the deemed prepayment and reissuance and the Beneficial Owner’s adjusted tax basis in such Bond.

The tax discussion set forth above is included for general information only and may not be applicable depending upon a Bond Owner’s particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE BONDS AND THE TAXPAYER’S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix C.

VALIDATION

On December 15, 2020, the City, acting pursuant to the provisions of Section 860 *et seq.* of the California Code of Civil Procedure, filed the Validation Petition in the Court seeking judicial validation of the transactions relating to the CalPERS Contract and the Bonds and certain other matters. On March 5, 2021, the court entered the Validation Judgment to the effect, among other things that: (i) the Trust Agreement will be a valid, legal and binding obligation of the City and the approval thereof was in conformity with applicable provisions of law; and (ii) the City has the authority under State law to provide for the refunding of its Pension Liability by issuing the Bonds and applying the proceeds of the Bonds to the retirement of its Pension Liability. Pursuant to Section 870 of the California Code of Civil Procedure, the last day to timely file a notice of appeal to the Validation Judgment was _____, 2021. On _____, 2021, the judgment became final and unappealable in accordance with State law. The City is unaware of any threatened challenge to the Validation Judgment. In issuing its approving opinion, Bond Counsel will rely, among other things, upon the Validation Judgment.

FINANCIAL STATEMENTS

The City's financial statements for the fiscal year ended June 30, 2020, which are included as Appendix A hereto, have been audited by Lance, Soll & Lunghard, LLP, an independent auditor, as stated in their report appearing in Appendix A hereto. Lance, Soll & Lunghard, LLP has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Lance, Soll & Lunghard, LLP with respect to any event subsequent to its report.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of holders and beneficial owners of the Bonds to provide or cause to be provided certain financial information and operating data relating to the City (the "Annual Report") by not later than the last day of the end of the ninth month after the end of each fiscal year of the City (presently such fiscal year ends June 30), commencing March 31, 2022 with respect to the Annual Report for Fiscal Year 2020-21, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth under the caption APPENDIX D - "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants are made in order to assist the Underwriters in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

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

In connection with certain undertakings of the City in connection with certain obligations secured solely by particular assessments in limited assessment areas (formed for the purposes of placing utility lines underground), the annual report filed in 2017 did not include certain specific information required by the related undertakings (relating to delinquencies with respect to particular parcels in the assessment areas). A corrective filing was subsequently made.

The City engages Digital Assurance Corporation ("DAC") to provide assistance in connection with compliance with the City's continuing disclosure undertakings.

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.

LITIGATION

To the best knowledge of the City, except as otherwise disclosed in this Official Statement, there is no litigation pending against the City and of which the City has received service of process, or threatened litigation,

concerning the validity of the Bonds or challenging any action taken by the City in connection with the authorization of the Trust Agreement, or any other document relating to the Bonds to which the City is or is to be become a party or the performance by the City of any of its obligations under any of the foregoing.

MUNICIPAL ADVISOR

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

UNDERWRITING

BofA Securities, Inc. and Stifel, Nicolaus & Company, Incorporated (collectively, the “Underwriters”) have agreed to purchase all of the Bonds for an aggregate purchase price of \$_____ (representing the principal amount of the Bonds of \$_____, less an Underwriter’s discount of \$_____) subject to certain conditions set forth in the Purchase Contract between the City and the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

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

The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of its various business activities, the Underwriters and their affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Bonds.

INFORMATION RELATING TO DTC, CLEARSTREAM AND EUROCLEAR AND THE BOOK ENTRY SYSTEM DESCRIBED IN APPENDIX E — “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” IS BASED UPON INFORMATION FURNISHED BY DTC, CLEARSTREAM AND EUROCLEAR AND IS BELIEVED TO BE RELIABLE. NEITHER THE CITY NOR THE UNDERWRITERS MAKES ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER WITH RESPECT TO SUCH INFORMATION, INCLUDING WITHOUT LIMITATION, REPRESENTATIONS AND WARRANTIES AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

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

CITY OF MANHATTAN BEACH

By: _____
City Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the applicable document for a full and complete statement of the provisions thereof.

DEFINITIONS; INTERPRETATION

Certain Defined Terms. The terms defined in the Trust Agreement will, for all purposes of the Trust Agreement, have the meanings specified below unless the context clearly requires otherwise.

“Account” means any account established pursuant to the Trust Agreement.

“Additional Bonds” means bonds issued in accordance with the Trust Agreement.

“Annual Debt Service” means, for any Bond Year, the sum of the aggregate amount of principal required to be paid on Bonds during such Bond Year either at maturity or pursuant to a mandatory sinking fund payment and the interest due on the Bonds on each Interest Payment Date during such Bond Year.

“Authorized City Representative” means the City Manager, the Director of Administrative Services, or any officer authorized to act on their respective behalves.

“Authorized Denominations” means \$5,000 and any integral multiple thereof (except that while Bonds are registered in book-entry form, they may be held in amounts other than an integral multiple so long as the amount exceeds \$5,000).

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

“Bond” or “Bonds” means the bonds issued under the Trust Agreement and designated as “City of Manhattan Beach 2021 Taxable Pension Obligation Bonds.”

“Bond Counsel” means: (a) Stradling Yocca Carlson & Rauth, a Professional Corporation; or (b) a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Trust Agreement and acceptable to the City.

“Bond Interest Account” means the Account of that name established within the Revenue Fund pursuant to the Trust Agreement.

“Bond Principal Account” means the Account of that name established within the Revenue Fund pursuant to the Trust Agreement.

“Bond Year” means the twelve-month period commencing on each January 2 and ending on the next succeeding January 1, except that the first Bond Year will commence on the Closing Date and end on January 1, 2022.

“Book-Entry Bonds” means the Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.

“Business Day” means a day: (a) other than a day on which banks located in the City of New York, New York or the cities in which the respective principal offices of the Trustee or any Paying Agent are located, are required or authorized by law or executive order to close; and (b) on which the New York Stock Exchange is open.

“Closing Date” means _____, 2021.

“Consultant” means the accountant, attorney, consultant, municipal finance consultant or investment banker, or firm thereof, retained by the City to perform acts and carry out the duties provided for such Consultant in the Trust Agreement. Such accountant, attorney, consultant, municipal finance consultant or investment banker, or firm thereof, must be nationally recognized within its profession for work of the character required.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed and delivered by the City and acknowledged and accepted by the dissemination agent listed therein, dated _____, 2021, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Defeasance Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”); (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively (or any combination thereof), which are authorized to be used to effect defeasance of the Bonds.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Event of Default” means any occurrence or event specified as such in the Trust Agreement.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”), and (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Fiduciary or Fiduciaries” means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as the City designates as its fiscal year.

“Fund” means any fund established pursuant to the Trust Agreement.

“Holder,” or “Bondholder,” “owner” or “registered owner” means the registered owner of any Bonds, including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“Information Services” means any one or more of the national information services that Trustee determines are in the business of disseminating notices of redemption of obligations such as the Bonds.

“Interest Payment Date” means July 1 and January 1 of each year commencing January 1, 2022.

“Mail” means by first-class United States mail, postage prepaid.

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

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding,” with respect to the Bonds, means all Bonds which have been authenticated and delivered under the Trust Agreement, except: (a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to

or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby; (b) Bonds deemed to be paid in accordance with the Trust Agreement; (c) Bonds in lieu of which other Bonds have been authenticated under the Trust Agreement; (d) Bonds that have become due (at maturity, on redemption, or otherwise) and for the payment of which sufficient moneys, including interest accreted or accrued to the due date, are held by the Trustee or a Paying Agent; and (e) For purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds Outstanding under the Trust Agreement, Bonds held by or for the account of the City or by any person controlling, controlled by or under common control with the City, unless such Bonds are pledged to secure a debt to an unrelated party, in which case such Bonds will, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such Bonds are pledged. Nothing in the Trust Agreement will be deemed to prevent the City from purchasing Bonds from any party out of any funds available to the City.

“Participant” means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

“Paying Agent” means any paying agent for the Bonds, or successor thereto, appointed by the City pursuant to the Trust Agreement, and any successor appointed pursuant thereto.

“Permitted 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 Trustee 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) of this definition (except those described in this 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 shall 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 shall be responsible for making any market value determinations, and the security interest shall 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 Trustee 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.

“PERS” means the California Public Employees’ Retirement System.

“PERS Contract” means the contract between the Board of Administration of PERS and the City Council of the City, effective July 1, 1947.

“Principal Office of the Trustee” means the office of the Trustee at the address set forth in the Trust Agreement, provided for transfer, exchange, registration, surrender and payment of Bonds means the corporate trust

office of the Trustee at which it conducts its corporate agency business, or such other office as the Trustee may from time to time designate in writing to the City and the owners of the Bonds.

“Rating Agency” means S&P.

“Rating Category” means: (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Record Date” means the fifteenth day of each calendar month preceding any Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Fund” means the Fund of that name established pursuant to the Trust Agreement.

“Refunding Law” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code.

“Registrar” means, for purposes of the Trust Agreement, the Trustee or its successor or assignee.

“Representation Letter” means the Letter of Representations from the City to DTC with respect to the Bonds.

“Requisition” or “Written Requisition” means a Requisition or Written Requisition, substantially in the form attached to the Trust Agreement.

“Responsible Officer” means an officer of the Trustee assigned by the Trustee to administer the Trust Agreement.

“Retirement Law” means Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code.

“Revenue Fund” means the Fund of that name established pursuant to the Trust Agreement.

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

“Securities Depositories” means any of The Depository Trust Company or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or if no such depositories, as the City may indicate in a certificate of the City delivered to the Trustee.

“State” means the State of California.

“Total Bond Obligation” means, as of any date of calculation, the aggregate principal amount of the Bonds then Outstanding.

“Trust Agreement” means the Trust Agreement dated as of _____, 2021 between the City and the Trustee, as it may be amended, supplemented or otherwise modified from time to time.

“Trustee” means US Bank, a national banking association organized and existing under the laws of the United States of America, until a successor replaces it, and thereafter means such successor.

“Unfunded Liability” means City’s unamortized, unfunded accrued actuarial liability with respect to pension benefits under the Retirement Law.

EXECUTION, AUTHENTICATION AND EXCHANGE OF BONDS; BOOK ENTRY BONDS

Transfer or Exchange of Bonds. Subject to the Trust Agreement:

(a) All Bonds will be issued in fully registered form. Upon surrender for transfer of any Bond at the Principal Office of the Trustee, the Trustee will deliver in the name of the transferee or transferees a new fully authenticated and registered Bond or Bonds of Authorized Denominations of the same maturity for the aggregate principal amount which the Bondholder is entitled to receive.

(b) All Bonds presented for transfer, redemption or payment will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the City, duly executed by the Bondholder or by his duly authorized attorney. The Trustee also may require payment from the Bondholder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges will be paid before any such new Bond is delivered. The costs of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the City.

(c) Bonds delivered upon any transfer as provided in the Trust Agreement, are valid obligations of the City, evidencing the same debt as the Bond surrendered, are secured by the Trust Agreement and are entitled to all of the security and benefits thereof to the same extent as the Bond surrendered.

(d) The City, the Trustee and the Paying Agent will treat the Bondholder, as shown on the registration books kept by the Trustee, as the person exclusively entitled to payment of principal, premium, if any, and interest with respect to such Bond and to the exercise of all other rights and powers of the Bondholder, except that all interest payments will be made to the party who, as of the Record Date, is the Bondholder.

(e) The Trustee will not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

(f) Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

Book-Entry Bonds. (a) Except as provided in paragraph (c) below, the registered owner of all of the Bonds is DTC and the Bonds will be registered in the name of Cede & Co., as nominee for DTC. Except as provided in paragraph (d) below, payment of principal, interest and premium, if any, for any Bonds registered in the name of Cede & Co. will be made as provided in the Representation Letter.

(b) The Bonds will be initially issued in the form of a separate single authenticated fully registered Bond for each separate stated maturity of the Bonds. The Trustee, the Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of, or interest on, the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Trust Agreement, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the City will be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the City have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant or any other person which is not shown on the registration books as being a Bondholder, with respect to: (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Trust Agreement; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as a Bondholder. The Trustee will

pay, from funds held under the terms of the Trust Agreement or otherwise provided by the City, all principal or redemption price of and interest on the Bonds only to DTC as provided in the Representation Letter and all such payments will be valid and effective to satisfy and discharge fully the City's obligations with respect to the principal or redemption price of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC will receive authenticated Bonds evidencing the obligation of the City, to make payments of principal or redemption price and interest pursuant to the Trust Agreement. Upon delivery by DTC to the Trustee 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 Trust Agreement with respect to Record Dates, the name "Cede & Co." in the Trust Agreement will refer to such new nominee of DTC.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates and notifies DTC, the Trustee and the Registrar of such determination, then DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Trustee will authenticate and the Registrar will transfer and exchange Bonds certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City and the Trustee are obligated to deliver Bond certificates as described in the Trust Agreement. In the event Bond certificates are issued, the provisions of the Trust Agreement will apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the City and the Trustee to do so, the Trustee and the City will cooperate with DTC in taking appropriate action after reasonable notice: (i) to make available one or more separate certificates evidencing the Bonds to any Participant having Bonds credited to its DTC account; or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(d) Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or redemption price of and interest on such Bonds and all notices with respect to such Bonds will be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Trust Agreement by the City or the Trustee with respect to any consent or other action to be taken by Bondholders, the City or the Trustee, as the case may be, will establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC will be given only when DTC is the sole Bondholder.

(f) If the City purchases, or causes the Trustee to purchase, any of the Bonds, such purchase of Bonds will be deemed to have occurred upon the purchase of beneficial ownership interests in the Bonds from a Participant. Upon receipt by DTC of notice from the City and a Participant that a purchase of beneficial ownership interests in the Bonds has been made by the City from such Participant, DTC will surrender to the Trustee the Bonds referenced in such notice and, if the principal amount referenced in said notice is less than the principal amount of the Bonds so surrendered, the Trustee will authenticate and deliver to DTC, in exchange for the Bonds so surrendered, a new Bond or Bonds, as the case may be, in Authorized Denominations and in a principal amount equal to the difference between: (i) the principal amount of the Bonds so surrendered; and (ii) the principal amount referenced in said notice.

(g) Notwithstanding any provision in the Trust Agreement to the contrary, the City and the Trustee may agree to allow DTC, or its nominee, Cede & Co., to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

(h) In the event that DTC notifies the City that it is discontinuing the book-entry system for the Bonds, the City may either appoint another entity to hold the Bonds in book-entry form or deliver Bond certificates to the beneficial owners or Participants, as directed by DTC.

Mutilated, Lost, Stolen or Destroyed Bonds. (a) In the event any Bond is mutilated or defaced but identifiable by number and description, the City will execute and the Trustee will authenticate and deliver a new Bond of like date, maturity and denomination as such Bond, upon surrender thereof to the Trustee; provided that there will first be

furnished to the City and the Trustee proof satisfactory to the Trustee that the Bond is mutilated or defaced. The Bondholder will accompany the above with a deposit of money required by the City for the cost of preparing the substitute Bond and all other expenses connected with the issuance of such substitute. The City will then cause proper record to be made of the cancellation of the original, and thereafter the substitute will have the validity of the original.

(b) In the event any Bond is lost, stolen or destroyed, the City may execute and the Trustee may authenticate and deliver a new Bond of like date, maturity and denomination as that Bond lost, stolen or destroyed; provided that there is first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to it.

(c) The City and the Trustee will charge the Holder of such Bond all transfer taxes, if any, and their reasonable fees and expenses in such connection. All substitute Bonds issued and authenticated pursuant to the Trust Agreement will be issued as a substitute and numbered, if numbering is provided for by the Trustee, as determined by the Trustee. In the event any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee.

Destruction of Bonds. Whenever any Outstanding Bonds are delivered to the Trustee for cancellation pursuant to the Trust Agreement, upon payment of the principal amount and interest represented thereby or for replacement or transfer pursuant to the Trust Agreement, such Bond will be cancelled and destroyed by the Trustee and counterparts of a certificate of destruction evidencing such destruction will, upon the City's request, be furnished by the Trustee to the City.

Temporary Bonds. (a) Pending preparation of definitive Bonds, the City may execute and the Trustee will authenticate and deliver, in lieu of definitive Bonds and subject to the same limitation and conditions, interim receipts, certificates or temporary bonds which will be exchanged for the Bonds.

(b) If temporary Bonds are issued, the City will cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary Bond, will cancel the same and deliver in exchange therefor at the place designated by the Bondholder, without charge to the Bondholder thereof, definitive Bonds of an equal aggregate principal amount, of the same series, maturity and bearing interest at the same rate or rates as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds will in all respects be entitled to the same benefit and security of the Trust Agreement as the definitive Bonds to be issued and authenticated thereunder.

REDEMPTION OF BONDS

Payment of Bonds Called for Redemption; Effect of Redemption Call. (a) Upon surrender to the Trustee or the Trustee's agent, Bonds called for redemption will be paid at the redemption price stated in the notice, plus interest accrued to the redemption date.

(b) On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Trust Agreement relating to such Bonds as are to be redeemed and moneys for payment of the redemption price being held in trust to pay the redemption price, the Bonds so called for redemption will become and be due and payable on the redemption date, interest on such Bonds will cease to accrue, such Bonds will cease to be entitled to any lien, benefit or security under the Trust Agreement and the owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price and accrued interest to the redemption date.

(c) Bonds which have been duly called for redemption under the provisions of the Trust Agreement and for the payment of the redemption price of which moneys are deposited in the Redemption Fund or otherwise held in trust for the Holders of the Bonds to be redeemed, all as provided in the Trust Agreement, will not be deemed to be Outstanding under the provisions of the Trust Agreement.

Bonds Redeemed in Part. Bonds are subject to redemption pro rata within a maturity. Upon surrender of a Bond to be redeemed in part, the Trustee will authenticate for the registered owner a new Bond or Bonds of the same maturity and tenor equal in principal amount to the unredeemed portion of the Bond surrendered.

CREATION OF CERTAIN FUNDS AND ACCOUNTS

Creation of Redemption Fund. A Fund to be held by the Trustee has been created and designated the “City of Manhattan Beach 2021 Taxable Pension Obligation Bonds Redemption Fund” (the “Redemption Fund”). All moneys deposited by the City with the Trustee for the purpose of redeeming Bonds will be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds (including the payment of accrued interest on Bonds to be redeemed) in the manner, at the times and upon the terms and conditions specified in the Trust Agreement; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon receipt of written instructions from an Authorized City Representative, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as directed by the City.

Moneys Held in Redemption Fund. All moneys which have been withdrawn from the Revenue Fund and deposited in the Redemption Fund for the purpose of paying any of the Bonds secured by the Trust Agreement, either at the maturity thereof or upon call for redemption, will be held in trust for the respective Holders of such Bonds.

Unclaimed Moneys. Any moneys which are set aside or deposited in the Redemption Fund, the Bond Principal Account, the Bond Interest Account or any other Fund or Account for the benefit of Holders of Bonds and which remain unclaimed by the Holders of such Bonds for a period of one year after the date on which such Bonds have become due and payable (or such longer period as required by State law) will be paid without liability for interest to the City, and thereafter the Holders of such Bonds will look only to the City for payment and the City will be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and the Trustee and any Paying Agent have no responsibility with respect to any of such moneys.

CONCERNING PAYING AGENT

Paying Agent; Appointment and Acceptance of Duties. The City has appointed the Trustee as the Paying Agent for the Bonds.

Paying Agent - General Responsibilities. (a) The City may at any time or from time to time appoint a different Paying Agent or Paying Agents for the Bonds, and each Paying Agent, if other than the Trustee, must be a commercial bank with trust powers and designate to the City and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it under the Trust Agreement by a written instrument of acceptance delivered to the City under which each such Paying Agent will agree, particularly: (i) to hold all sums held by it for the payment of the principal of, and premium or interest on, Bonds in trust for the benefit of the Bondholders until such sums are paid to such Bondholders or otherwise disposed of as provided in the Trust Agreement; (ii) to keep such books and records as are consistent with prudent industry practice, to make such books and records available for inspection by the City and the Trustee at all reasonable times upon reasonable prior notice; and (iii) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

(b) The Paying Agent will perform the duties and obligations set forth in the Trust Agreement, and in particular will hold all sums delivered to it by the Trustee for the payment of principal or premium of and interest on the Bonds for the benefit of the Bondholders until such sums are paid to such Bondholders or otherwise disposed of as provided in the Trust Agreement.

(c) In performing its duties under the Trust Agreement, the Paying Agent is entitled to all of the rights, protections and immunities accorded to the Trustee under the terms of the Trust Agreement.

Certain Permitted Acts. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary 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 Bondholders or to effect or aid in any reorganization growing out of the enforcement of the

Bonds or the Trust Agreement, whether or not any such committee represents the owners of a majority in Total Bond Obligation of the Bonds then Outstanding.

Resignation or Removal of Paying Agent and Appointment of Successor. (a) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Trust Agreement in accordance with the provisions set forth in the Trust Agreement for the removal of the Trustee by giving at least 60 days' written notice to the City and the other Fiduciaries. Any Paying Agent may be removed at any time upon 30 days prior written notice by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized City Representative. Any successor Paying Agent will be appointed by the City with the approval of the Trustee and must be a commercial bank with trust powers or trust company organized under the laws of any state of the United States, having capital stock and surplus aggregating at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Trust Agreement.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent will assign and deliver any moneys and Bonds, including authenticated Bonds, held by it to its successor, or if there be no successor, to the Trustee. In the event that for any reason there is a vacancy in the office of any Paying Agent, the Trustee will act as such Paying Agent.

COVENANTS OF THE CITY

Payment of Principal and Interest. The City has covenanted and agreed that it will duly and punctually pay or cause to be paid the principal, premium, if any, and interest on every Bond at the place and on the dates and in the manner specified in the Trust Agreement and in the Bonds, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained therein and in the Bonds and the City has agreed that time is of the essence in the Trust Agreement. The obligations of the City under the Bonds, including the obligation to make all payments of principal, premium, if any, and interest when due, are absolute and unconditional, without any right of set-off or counter claim.

The City will in each Fiscal Year include in its budget a provision to provide funds in an amount sufficient to pay the principal, premium, if any, and interest on the Bonds coming due in such Fiscal Year, but only to the extent that such amounts exceed the amount of available funds then on deposit in the Revenue Fund, and will make annual appropriations for all such amounts. If such principal, premium, if any, and interest on the Bonds coming due in any Fiscal Year exceeds the sum of amounts budgeted in respect thereof together with amounts then on deposit in the Revenue Fund, then the City will amend or supplement the budget to provide for such excess amounts. The covenants contained in the Trust Agreement are deemed to be and will be duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Trust Agreement agreed to be carried out and performed by the City.

Performance of Covenants by City; Authority; Due Execution. The City has covenanted that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Trust Agreement, in any and every Bond executed, authenticated and delivered thereunder and in all of its proceedings pertaining thereto. The City has covenanted that it is duly authorized under the Constitution and laws of the State to issue the Bonds.

Instruments of Further Assurance. The City has covenanted that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as the Trustee may reasonably request for the better assuring and confirming to the Trustee all the rights and obligations of the City under and pursuant to the Trust Agreement. The City will, upon the reasonable request of the Trustee, from time to time execute and deliver such further instructions and take such further action as may be reasonable and as may be required to effectuate the purposes of the Trust Agreement or any provisions thereof; provided, however, that no such instruments or actions will pledge the full faith and credit or the taxing powers of the State.

No Inconsistent Action. The City has covenanted that no contract or contracts will be entered into or any action taken by the City which is inconsistent with the provisions of the Trust Agreement.

No Adverse Action. The City has covenanted that it will not take any action which will have a material adverse effect upon the rights of the Holders of the Bonds.

Maintenance of Powers. The City has covenanted that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to applicable law and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants contained in the Trust Agreement.

Covenants of City Binding on Successors. All covenants, stipulations, obligations and agreements of the City contained in the Trust Agreement will be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law. If the powers or duties of the City are later transferred by amendment of any provision of the Constitution or any other law of the State or in any other manner there is a successor to the City, and if such transfer relates to any matter or thing permitted or required to be done under the Trust Agreement by the City, then the entity that succeeds to such powers or duties of the City will act and be obligated in the place and stead of the City as provided in the Trust Agreement, and all such covenants, stipulations, obligations and agreements therein will be binding upon such successor or successors thereof from time to time and upon any officer, board, body, district, authority or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements will be transferred by or in accordance with law.

Except as otherwise provided in the Trust Agreement, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of the Trust Agreement will be exercised or performed by the City or by such officers, board, body, district, authority or commission as may be required by law to exercise such powers or to perform such duties.

Trust Agreement to Constitute a Contract. The Trust Agreement is executed by the City for the benefit of the Bondholders and constitutes a contract with the Bondholders.

City to Perform Pursuant to Continuing Disclosure Certificate. The City has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default under the Trust Agreement; provided, however, the obligations of the City to comply with the provisions of the Continuing Disclosure Certificate will be enforceable by any Participating Underwriter or any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds; provided, further, that the Trustee is not required to take any enforcement action whatsoever except at the written direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who have provided the Trustee with security and indemnity to its satisfaction, including without limitation, attorney's fees and expenses. The Participating Underwriters', Holders' and Trustee's rights to enforce the provisions of the Continuing Disclosure Certificate are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under the Continuing Disclosure Certificate. Notwithstanding the foregoing, the City is entitled to amend or rescind the Continuing Disclosure Certificate to the extent permitted by law.

INVESTMENTS

Investments Authorized. Money held by the Trustee in any fund or account under the Trust Agreement will be invested by the Trustee in Permitted Investments at the prior written direction of an Authorized City Representative filed with the Trustee at least two (2) Business Days in advance of the making of such investments, will be registered in the name of the Trustee where applicable, as Trustee and will be held by the Trustee. The City will direct the Trustee prior to 12:00 p.m. Pacific time on the last Business Day before the date on which a Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. In the absence of such direction, the Trustee will hold such moneys uninvested. The Trustee may rely on the City's certification in such investment instructions that such investments are permitted by law and by any policy guidelines promulgated by the City. Money held in any fund or account under the Trust Agreement may be commingled for purposes of investment only. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically

waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which include detail for all investment transaction made by the Trustee under the Trust Agreement.

The Trustee may, with the prior written approval of an Authorized City Representative, purchase from or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Any investments and reinvestments will be made after giving full consideration to the time at which funds are required to be available under the Trust Agreement and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by the Trust Agreement. The Trustee or any of its affiliates may act as agent in the making or disposing of any investment and may act as sponsor or advisor with respect to any Permitted Investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Trust Agreement, but will account for each separately.

Reports. The Trustee will furnish at least quarterly to the City a report of all investments made by the Trustee and of all amounts on deposit in each fund and account maintained under the Trust Agreement (which may be in the form of its regular statements).

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account under the Trust Agreement, all Permitted Investments will be valued at the market value thereof not later than December 1 of each year. With the prior written approval of an Authorized City Representative, the Trustee may sell, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account under the Trust Agreement, and the Trustee is liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or willful misconduct.

Application of Investment Earnings. Investments in any Fund or Account will be deemed at all times to be a part of such Fund or Account, and any profit realized from such investment will be credited to such Fund or Account and any loss resulting from such investment will be charged to such Fund or Account. Interest earnings on investments in any Fund or Account will be deposited in the Bond Interest Account of the Revenue Fund.

DEFEASANCE

Discharge of Bonds; Release of Trust Agreement. Bonds or portions thereof (such portions to be in an Authorized Denomination) which have been paid in full or which are deemed to have been paid in full will no longer be entitled to the benefits of the Trust Agreement except for the purposes of payment from moneys and Defeasance Securities. When all Bonds which have been issued under the Trust Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable thereunder by the City, including all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agents, have been paid or are duly provided for, then the Trustee will cancel, discharge and release the Trust Agreement, execute, acknowledge and deliver to the City such instruments of satisfaction and discharge or release as requisite to evidence such release and such satisfaction and discharge and assign and deliver to the City any amounts at the time subject to the Trust Agreement which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for the payment of the principal, premium, if any, and interest on the Bonds.

Bonds Deemed Paid. (a) A Bond will be deemed to be paid within the meaning of the Trust Agreement and for all purposes thereof when: (i) payment with respect thereto of the principal, interest and premium, if any, either: (1) has been made or caused to be made in accordance with the terms of the Bonds and the Trust Agreement; or (2) has been provided for, as certified to the Trustee by a Consultant who is a certified public accountant, by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment: (x) moneys sufficient to make such payment; and/or (y) Defeasance Securities maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment; and (ii) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agents pertaining to the Bonds with respect to which such deposit is made have been paid or provision made for the payment thereof. At such times as Bonds will be deemed to be paid under the Trust Agreement, such Bonds will no longer be secured by or entitled to the benefits of the Trust Agreement, except for the purposes of payment from such moneys and Defeasance Securities.

(b) Notwithstanding the foregoing paragraph, no deposit under clause (i)(2) of the immediately preceding paragraph will be deemed a payment of such Bonds until: (i) proper notice of redemption of such Bonds has been given in accordance with the Trust Agreement, or in the event such Bonds are not to be redeemed within the next succeeding 60 days, until the City has given the Trustee irrevocable instructions to notify, as soon as practicable, the holders of the Bonds in accordance with the Trust Agreement, that the deposit required by clause (i)(2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and unpaid interest on such Bonds; or (ii) the maturity of such Bonds.

DEFAULTS AND REMEDIES

Events of Default. Each of the following events constitute and is referred to in the Trust Agreement as an “Event of Default”: (a) a failure to pay the principal or premium, if any, on any of the Bonds when the same become due and payable at maturity or upon redemption; (b) a failure to pay any installment of interest on any of the Bonds when such interest become due and payable; (c) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a) and (b) above) contained in the Bonds or in the Trust Agreement on the part of the City to be observed or performed, which failure continues for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee; provided, however, that the Trustee will be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued; or (d) if the City files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself. Upon its actual knowledge of the occurrence of any Event of Default, the Trustee will immediately give written notice thereof to the City.

Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and will upon the written direction of the holders of a majority of the Total Bond Obligation of the Bonds then Outstanding and, in each case, receipt of indemnity to its satisfaction, in its own name and as the Trustee of an express trust: (1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders under the Trust Agreement, as the case may be, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Refunding Law or any other law to which it is subject and the Trust Agreement; provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Trust Agreement; (2) bring suit upon the defaulted Bonds; (3) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or (4) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders under the Trust Agreement. The Trustee will be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under the Trust Agreement has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then the City, the Trustee and the Bondholders will be restored to their former positions and rights thereunder, respectively, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Bondholders’ Right to Direct Proceedings on their Behalf. Anything in the Trust Agreement to the contrary notwithstanding, Holders of a majority in Total Bond Obligation have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings on their behalf available to the Trustee under the Trust Agreement to be taken in connection with the enforcement of the terms of the Trust Agreement or exercising any trust or power conferred on the Trustee by the Trust Agreement; provided that such direction may not be otherwise than in accordance with the provisions of the law and the Trust Agreement and that there is provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee; provided further that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Bondholders' Rights to Institute Proceedings. No owner of any Bond has the right to institute any suit, action or proceeding at law in equity, for the protection or enforcement of any right or remedy under the Trust Agreement, or applicable law with respect to such Bond, unless: (a) such owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the owners of not less than a majority in Total Bond Obligation have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) such owner or said owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by and said tender of indemnity has been made to, the Trustee; and (e) the Trustee has not received contrary directions from the owners of a majority in aggregate principal amount of the Total Bonds Obligation.

No Impairment of Right to Enforce Payment. Notwithstanding any other provision in the Trust Agreement, the right of any Bondholder to receive payment of the principal of and interest on such Holder's Bond, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, will not be impaired or affected without the consent of such Bondholder.

Proceedings by Trustee Without Possession of Bonds. All rights of action under the Trust Agreement or under any of the Bonds secured thereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the equal and ratable benefit of the Bondholders, as the case may be, subject to the provisions of the Trust Agreement.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee or to Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and in addition to every other remedy given under the Trust Agreement, or now or later existing at law or in equity or by statute; provided, however, that any conditions set forth in the Trust Agreement to the taking of any remedy to enforce the provisions of the Trust Agreement or the Bonds will also be conditions to seeking any remedies under any of the foregoing pursuant to the Trust Agreement

No Waiver of Remedies. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default, or an acquiescence therein and every power and remedy given by the Trust Agreement to the Trustee and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. (a) Any moneys received by the Trustee for the benefit of Bondholders, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Trust Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee (including without limitation reasonable fees and reasonable expenses of its attorneys), will be deposited in the Revenue Fund and all moneys so deposited in the Revenue Fund during the continuance of an Event of Default will be applied: (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the rate per annum borne by the Bonds, as the case may be, in the order of maturity of the installments of such interest (if the amount available for such interest installments is not sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment), and if the amount available for such interest is not sufficient to make payment thereof, then to the payment thereof ratably according to the respective aggregate amounts due; and (ii) second, to the payment to the persons entitled thereto of the unpaid principal, as applicable, of any of the Bonds which have become due with interest on such Bonds at their respective rate from the respective dates upon which they became due (if the amount available for such unpaid principal and interest is not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege among Holders of Bonds), and, if the amount available for such principal and interest is not sufficient to make full payment thereof, then to the payment thereof ratably according to the respective aggregate amounts due.

(b) Whenever moneys are to be applied pursuant to the provisions of the Trust Agreement, such moneys will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of

such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee applies such funds, it will fix the date (which must be an Interest Payment Date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts to be paid on such date will cease to accrue. The Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and is not required to make payment to any Bondholder until such Bonds are presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Severability of Remedies. It is the purpose and intention of the Trust Agreement to provide rights and remedies to the Trustee and the Bondholders which may be lawfully granted under the provisions of applicable law, but should any right or remedy therein granted be held to be unlawful, the Trustee and the Bondholders are entitled, as above set forth, to every other right and remedy provided in the Trust Agreement and by applicable law.

Additional Events of Default and Remedies. So long as any Bonds are Outstanding, the Events of Default and remedies as set forth in the Trust Agreement may be supplemented with additional Events of Default and remedies as set forth from time to time in a supplemental agreement.

TRUSTEE; REGISTRAR

Acceptance of Trusts. The Trustee has accepted and agreed to execute the trusts specifically imposed upon it by the Trust Agreement, but only upon the additional terms set forth therein, to all of which the City has agreed and the respective Bondholders agree by their acceptance of delivery of any of the Bonds.

Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default: (i) the Trustee need perform only those duties that are specifically set forth in the Trust Agreement and no others; and (ii) in the absence of negligence on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Trust Agreement. However, the Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Trust Agreement.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the foregoing does not limit the effect of clause (b) above; (ii) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; (iii) the Trustee will not be liable with respect to any action it takes or fails to take in good faith in accordance with a direction received by it from Bondholders or the City in the manner provided in the Trust Agreement; and (iv) no provision of the Trust Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Every provision of the Trust Agreement that in any way relates to the Trustee is subject to all the paragraphs of the Trust Agreement.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense.

(f) The Trustee is not liable for interest on any cash held by it except as the Trustee may agree with the City.

Rights of Trustee. (a) The recitals of facts contained in the Trust Agreement and in the Bonds will be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same (other than the

certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Trust Agreement or of the Bonds or of any Permitted Investment and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly assigned to or imposed upon it in the Trust Agreement or in the Bonds. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence, willful misconduct or breach of the express terms and conditions thereof. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Holder of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Trust Agreement.

(b) The Trustee may execute any of the trusts or powers of the Trust Agreement and perform the duties required of it thereunder by or through attorneys, agents or receivers, and is entitled to advice of counsel concerning all matters of trust and its duty thereunder, and the opinion of such counsel will be authorization for any action taken or not taken in reliance on such opinion, but the Trustee is not answerable for the negligence or misconduct of any such attorney, agent or receiver selected with due care by it.

(c) No permissive power, right or remedy conferred upon the Trustee under the Trust Agreement will be construed to impose a duty to exercise such power, right or remedy.

(d) The Trustee is not bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(e) The Trustee is not responsible for the application or handling by the City of any moneys transferred to or pursuant to any requisition or request of the City in accordance with the terms and conditions of the Trust Agreement.

(f) Whether or not therein expressly so provided, every provision of the Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to all provisions of the Trust Agreement.

(g) The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(h) The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto 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 a 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 project, 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 Trustee.

(i) The Trustee has the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Trust Agreement and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act

upon such Instructions, the Trustee's understanding of such Instructions will be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City is responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(j) Whenever in the administration of the trusts imposed upon it by the Trust Agreement the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the City and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Trust Agreement in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(k) The Trustee has no duty to review, verify or analyze any financial statements furnished to it by the City, and will hold such financial statements solely as a repository for the Bondholders. The Trustee will not be deemed to have notice of any information contained therein or any default or Event of Default that may be disclosed therein in any manner.

Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the City with the same rights it would have if it were not Trustee. Any Paying Agent or other agent may do the same with like rights.

Trustee's Disclaimer. The Trustee makes no representations as to the validity or adequacy of the Trust Agreement or the Bonds, it is not accountable for the City's use of the proceeds from the Bonds paid to the City and it is not responsible for any statement in any official statement or other disclosure document or in the Bonds other than its certificate of authentication.

Notice of Defaults. If an event occurs which with the giving of notice or lapse of time or both would be an Event of Default, and if the event is continuing and if it is actually known to the Trustee, the Trustee will mail to each Bondholder notice of the event within 90 days after it occurs. Except in the case of a default in payment or purchase on any Bonds, the Trustee may without the notice to Bondholders if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Compensation of Trustee. The City will from time to time, but only in accordance with a written agreement in effect with the Trustee, pay to the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. The Trustee will not otherwise have any claims or lien for payment of compensation for its services against any other moneys held by it in the funds or accounts established under the Trust Agreement, except as provided therein, but may take whatever legal actions are lawfully available to it directly against the City. To the extent permitted by applicable law, the City has agreed to indemnify and save the Trustee, its officers, employees, directors and agents, harmless against any costs, expenses,

claims or liabilities whatsoever, including, without limitation, fees and expenses of its attorneys, that it may incur in the exercise and performance of its powers and duties under the Trust Agreement which are not due to its negligence or willful misconduct. The foregoing agreement will survive the payment of the Bonds, the discharge of the Trust Agreement and the appointment of a successor trustee.

Eligibility of Trustee. The Trust Agreement will always have a Trustee that is a trust company, a bank or association having trust powers and is organized and doing business under the laws of the United States or any state or the District of Columbia, is subject to supervision or examination by United States, state or District of Columbia authority and has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee. (a) The Trustee may resign as trustee under the Trust Agreement by notifying the City in writing prior to the proposed effective date of the resignation. The Holders of a majority in Total Bond Obligation of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the City's consent. The City may remove the Trustee, by notice in writing delivered to the Trustee 30 days prior to the proposed removal date; provided, however, that the City has no right to remove the Trustee during any time when an Event of Default has occurred and is continuing unless: (i) the Trustee fails to comply with the Trust Agreement; (ii) the Trustee is adjudged a bankrupt or an insolvent; (iii) the Trustee otherwise becomes incapable of acting; or (iv) the City determines that the Trustee's services are no longer satisfactory to the City. No resignation or removal of the Trustee under the Trust Agreement will be effective until a new Trustee has taken office. If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Trust Agreement, the City will promptly appoint a successor Trustee.

(b) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the City. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under the Trust Agreement. If a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the City delivers notice of removal, the retiring Trustee, the City or the Holders of a majority in Total Bond Obligation of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust business) to, another corporation, the resulting, surviving or transferee corporation without any further act will be the successor Trustee, Paying Agent or Registrar.

Registrar. The City will appoint the Registrar for the Bonds and may from time to time remove a Registrar and name a replacement upon notice to the Trustee. The City has appointed the Trustee as Registrar. Each Registrar, if other than the Trustee, will designate to the Trustee, the Paying Agent, and the City its principal office and signify its acceptance of the duties imposed upon it under the Trust Agreement by a written instrument of acceptance delivered to the City and the Trustee under which such Registrar will agree, particularly, to keep such books and records as are consistent with prudent industry practice and to make such books and records available for inspection by the City, the Trustee, and the Paying Agent at all reasonable times.

Other Agents. The City or the Trustee may from time to time appoint other agents to perform duties and obligations under the Trust Agreement which agents may include, but not be limited to, authenticating agents all as provided by resolution of the City.

Several Capacities. Anything in the Trust Agreement to the contrary notwithstanding, the same entity may serve under the Trust Agreement as the Trustee, Registrar and any other agent as appointed to perform duties or obligations under the Trust Agreement or an escrow agreement, or in any combination of such capacities, to the extent permitted by law.

Accounting Records and Reports of Trustee. (a) The Trustee will at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries are made of all transactions made by it relating to the proceeds of the Bonds and all Funds and Accounts established pursuant to the Trust Agreement and held by the

Trustee. Such books of record and account must be available for inspection by the City and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours with reasonable notice and under reasonable circumstances.

(b) The Trustee will file and furnish to the City and to each Bondholder who has filed his name and address with the Trustee for such purpose (at such Bondholder's cost), on an annual basis (or, with respect to the City, such other interval that the City may request), a complete financial statement (which may be its regular account statements and which need not be audited) covering receipts, disbursements, allocation and application of moneys in any of the funds and accounts established pursuant to the Trust Agreement for the preceding year.

No Remedy Exclusive. No remedy conferred upon or reserved to the City is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and in addition to every other remedy given under the Trust Agreement, or now or later existing at law or in equity or by statute.

MODIFICATION OF THE TRUST AGREEMENT

Limitations. The Trust Agreement may not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of the Trust Agreement.

Supplemental Agreements Not Requiring Consent of Bondholders. (a) The City may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver supplemental agreements supplementing and/or amending the Trust Agreement as follows: (i) to cure any defect, omission, inconsistency or ambiguity in the Trust Agreement; (ii) to add to the covenants and agreements of the City in the Trust Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, and which do not adversely affect the interests of the Bondholders; (iii) to confirm, as further assurance, any interest of the Trustee in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the City provided pursuant to the Trust Agreement or to otherwise add security for the Bondholders; (iv) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended; (v) to modify, alter, amend or supplement the Trust Agreement in any other respect which, in the judgment of the City, is not materially adverse to the Bondholders; (vi) to qualify the Bonds for a rating or ratings by any Rating Agency; and (vii) to authorize the issuance of Additional Bonds in accordance with the Trust Agreement.

(b) Before the City, pursuant to the Trust Agreement, executes any supplemental agreement there must be delivered to the City an Opinion of Bond Counsel to the effect that such supplemental agreement: (i) is authorized or permitted by the Trust Agreement and the Refunding Law; and (ii) will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms, subject to the typical exceptions.

Supplemental Agreement Requiring Consent of Bondholders. (a) Except for any supplemental agreement entered into pursuant to the Trust Agreement, the Holders of not less than a majority in Total Bond Obligation have the right from time to time to consent to and approve the execution by the City of any supplemental agreement deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in a supplemental agreement; provided, however, that, unless approved in writing by the Holders of all the Bonds then Outstanding, nothing contained in the Trust Agreement permits or will be construed as permitting: (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds; or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Trust Agreement, will, unless approved in writing by the Holders of all the Bonds then Outstanding, permit or be construed as permitting: (1) a preference or priority of any Bond or Bonds over any other Bond or Bonds; or (2) a reduction in the aggregate principal amount of Bonds the consent of the Holders of which is required for any such supplemental agreement. Nothing contained in the Trust Agreement, however, will be construed as making necessary the approval by Holders of the execution of any supplemental agreement as authorized in the Trust Agreement.

(b) If at any time the City desires to enter into any supplemental agreement for any of the purposes of the Trust Agreement, the City will cause notice of the proposed execution of the supplemental agreement to be given

by Mail to all Holders. Such notice will briefly set forth the nature of the proposed supplemental agreement and state that a copy thereof is on file at the office of the City for inspection by all Holders.

(c) Within two weeks after the date of the first mailing of such notice, the City may execute and deliver such supplemental agreement in substantially the form described in such notice, but only if there has first been delivered to the City: (i) the required consents, in writing, of Holders; and (ii) an opinion of Bond Counsel stating that such supplemental agreement is authorized or permitted by the Trust Agreement and other applicable law, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms.

(d) If Holders of not less than the percentage of Bonds required by the Trust Agreement have consented to and approved the execution and delivery thereof as therein provided, no Holders will have any right to object to the adoption of such supplemental agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.

Effect of Supplemental Agreements. Upon execution and delivery of any supplemental agreement pursuant to the provisions of the Trust Agreement, the Trust Agreement and all supplemental agreements will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement and all supplemental agreements of the City, the Trustee, the Registrar, any Paying Agent and all Holders will thereafter be determined, exercised and enforced under the Trust Agreement and all supplemental agreements, subject in all respects to such modifications and amendments.

Supplemental Agreements to be Part of the Trust Agreement. Any supplemental agreement adopted in accordance with the provisions of the Trust Agreement will thereafter form a part of the Trust Agreement or the supplemental agreement which they supplement or amend, and all of the terms and conditions contained in any such supplemental agreement as to any provision authorized to be contained therein will be and will be deemed to be part of the terms and conditions of the Trust Agreement which they supplement or amend for any and all purposes.

MISCELLANEOUS PROVISIONS

Parties in Interest. Except as otherwise specifically provided in the Trust Agreement, nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon any person, firm or corporation other than the City, the Paying Agent, the Trustee, and the Bondholders any right, remedy or claim under or by reason of the Trust Agreement, the Trust Agreement being intended to be for the sole and exclusive benefit of the City, the Paying Agent, the Trustee and the Bondholders.

Severability. In case any one or more of the provisions of the Trust Agreement, or of any Bonds issued thereunder will, for any reason, be held to be illegal or invalid, such illegality or invalidity will not affect any other provisions of the Trust Agreement or of Bonds, and the Trust Agreement and any Bonds issued thereunder will be construed and enforced as if such illegal or invalid provisions had not been contained therein.

No Personal Liability of City Officials; Limited Liability of City to Bondholders. (a) No covenant or agreement contained in the Bonds or in the Trust Agreement will be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the City in his individual capacity, and neither the members of the City Council of the City nor any person executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(b) Except for the payment when due of the payments and the observance and performance of the other agreements, conditions, covenants and terms required to be performed by it contained in the Trust Agreement, the City will not have any obligation or liability to the Bondholders with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Bonds or the receipt, deposit or disbursement of the payments by the Trustee, or with respect to the performance by the Trustee of any obligation required to be performed by it contained in the Trust Agreement.

Execution of Instruments; Proof of Ownership. (a) Any request, direction, consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Bondholders or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds is sufficient for any purpose of the Trust Agreement and will be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner: (i) the fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution; and (ii) the ownership of Bonds will be proved by the registration books kept under the provisions of the Trust Agreement;

(b) Nothing contained in the Trust Agreement will be construed as limiting the Trustee to such proof. The Trustee may accept any other evidence of matters therein stated which it may deem sufficient. Any request, consent of, or assignment by any Bondholder will bind every future Bondholder of the same Bonds or any Bonds issued in lieu thereof in respect of anything done by the Trustee or the City in pursuance of such request or consent.

Governing Law; Venue. The Trust Agreement is made in the State under the Constitution and laws of the State and is to be so construed. If any party to the Trust Agreement initiates any legal or equitable action to enforce the terms of the Trust Agreement, to declare the rights of the parties under the Trust Agreement or which relates to the Trust Agreement in any manner, each such party has agreed that the place of making and for performance of the Trust Agreement will be the City of Manhattan Beach, State of California, and the proper venue for any such action is the Superior Court of the State of California, in and for the City of Manhattan Beach.

Notices. The Trustee will give written notice to the Rating Agencies if at any time: (i) a successor Trustee is appointed under the Trust Agreement; (ii) there is any amendment to the Trust Agreement; (iii) Bonds are to be redeemed pursuant to the Trust Agreement; (iv) notice of any defeasance of the Bonds; or (v) if the Bonds are no longer Book-Entry Bonds. Notice in the case of an event referred to in clause (ii) above will include a copy of any such amendment.

Holidays. 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 Trust Agreement, is not a Business Day, such payment may, unless otherwise provided in the Trust Agreement 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 in the Trust Agreement, and no interest will accrue for the period from and after such nominal date.

APPENDIX C
FORM OF BOND COUNSEL OPINION

[Closing Date]

City Council
City of Manhattan Beach
Manhattan Beach, California

Re: \$_____ City of Manhattan Beach 2021 Taxable Pension Obligation Bonds

Ladies and Gentlemen:

We have examined certified copies of proceedings of the City of Manhattan Beach (the “City”) relative to the issuance and sale by the City of its 2021 Taxable Pension Obligation Bonds in the aggregate principal amount of \$_____ (the “Bonds”), and such other information and documents as we consider necessary to render this opinion.

The Bonds have been issued pursuant to the authority contained in Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Trust Agreement, dated as of _____ 1, 2021 (the “Trust Agreement”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”).

The Bonds have been issued for the purpose of refunding the City’s obligations to the California Public Employees Retirement System (“CalPERS”) evidenced by the contract between the Board of Administration of CalPERS and the City Council of the City, effective July 1, 1947, as such contract has been amended from time to time, to pay unamortized, unfunded accrued liability with respect to pension benefits under the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code.

In such connection, we have reviewed the Trust Agreement, certificates of the City, the Trustee, and others, opinions of City Attorney and counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In rendering this opinion, we have relied upon certain representations of fact and certifications made by 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 opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions, including the default judgment entered on March 5, 2021 by the Superior Court of the County of Los Angeles in the action entitled *City of Manhattan Beach v. All Persons Interested et al.*, Case No. 20TRCV00931, and cover certain matters that are not directly addressed by such authorities. The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as to the Bonds terminates as of the date of issuance of the Bonds.

The Bonds are dated the date hereof, and mature on the dates and bear interest at the rates per annum set forth in the Trust Agreement. The Bonds are registered bonds in the forms set forth in the Trust Agreement, redeemable in the amounts, at the times and in the manner provided for in the Trust Agreement. All terms which are not defined herein have the meanings ascribed to those terms in the Trust 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 Trust 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 issuance and authentication of the Bonds in accordance with the Trust Agreement, the Bonds will be entitled to the benefits of the Trust Agreement.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Trust Agreement permits certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

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

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Trust Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; provided, however, that we express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the Bonds or the Trust Agreement.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement 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 D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set forth in this Appendix E is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the “Clearing Systems”) currently in effect. The information in this Appendix E concerning the Clearing Systems has been obtained from sources believed to be reliable, but the City does not take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix E. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The City will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Depository Trust Company Procedures

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with 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. The information on such website is not incorporated herein by such reference or otherwise.

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

not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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.

DTC may discontinue providing its services as depository with respect to the Securities 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, Security 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, Security certificates will be printed and delivered to DTC.

The City and the Underwriters cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, with respect to the securities paid to

DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Underwriters are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the securities or an error or delay relating thereto.

Global Clearance Procedures

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this subsection concerning the Clearing Systems has been obtained from sources believed to be reliable. No representation is made herein by the City as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The City will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Beneficial interests in the Bonds may be held through DTC, Clearstream International S.A., a Deutsche Börse Group company, as operator of the Clearstream system (“Clearstream”), or Euroclear S.A./N.V., a bank organized under the laws of the Kingdom of Belgium, as operator of the Euroclear system (“Euroclear”), directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC’s nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream’s and Euroclear’s names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers’ securities accounts in the depositories’ names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The City will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the City on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of the Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Bonds are set forth on the inside cover of the Official Statement.

General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NONE OF THE CITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.