

NEW ISSUE- BOOK-ENTRY ONLY**RATINGS****INSURED BONDS RATING: S&P: “ _ ”****UNDERLYING RATING: S&P: “ _ ”**

(See “CONCLUDING INFORMATION - Ratings on the Bonds” herein)

In the opinion of Aleshire & Wynder, LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

\$18,300,000*

**CARSON PUBLIC FINANCING AUTHORITY
REVENUE BONDS, SERIES 2019
(Measure M & R Local Streets Project)**

Dated: Date of Delivery**Due: June 1 as shown on the inside front cover page**

The Carson Public Financing Authority Revenue Bonds, Series 2019 (Measure M & R Local Streets Project) (the “Bonds”), are being issued to (i) finance the design, acquisition, and construction of certain local roadway and street improvement projects (each a “Project” and collectively, the “Projects”) in the City of Carson (the “City”), (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the Bonds and (iii) pay the costs incurred in connection with the issuance of the Bonds.

The Bonds are payable from the Revenues, as defined herein, pledged under the Indenture, as defined herein, consisting primarily of installment payments (the “Installment Payments”) to be made by the City to the Carson Public Financing Authority (the “Authority”) from Measure M Receipts and Measure R Receipts, as defined herein, pursuant to an Installment Sale Agreement, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Installment Sale Agreement to make Installment Payments in each fiscal year in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, as described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS” herein. The Measure M Receipts and Measure R Receipts are the only source of payment of the Installment Payments and the City has covenanted to use the net proceeds of the Bonds to fund only Projects that constitute both a Measure M Project and a Measure R Project, as described herein. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Payments or the Bonds. The obligation of the City to pay the Installment Payments is not subject to abatement.

Interest on the Bonds is payable semiannually on December 1 and June 1 of each year, commencing December 1, 2019, until maturity or earlier redemption. See “THE BONDS - General Provisions” and “THE BONDS - Redemption” herein.

THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM MEASURE M RECEIPTS AND MEASURE R RECEIPTS, DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE COUNTY OF LOS ANGELES (THE “COUNTY”), THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE AUTHORITY) IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE AUTHORITY) HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The scheduled payment of principal of and interest on the Bonds maturing on June 1 of the years ____ through ____, inclusive (collectively, the “Insured Bonds”), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by _____. See “BOND INSURANCE” and “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, Bond Counsel. Certain legal matters will also be passed on for the City and the Authority by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney and Authority General Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of The Depository Trust Company on or about June 12, 2019 (see “APPENDIX E - THE BOOK-ENTRY SYSTEM” herein).

The date of the Official Statement is _____, 2019.

PiperJaffray

Cabrera Capital Markets, LLC

\$18,300,000*
CARSON PUBLIC FINANCING AUTHORITY
REVENUE BONDS, SERIES 2019
(Measure M & R Local Streets Project)

MATURITY SCHEDULE

(Base CUSIP^{®†} _____)

Maturity Date	Principal	Interest	Reoffering	Reoffering	
<u>June 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP^{®†}</u>
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					

* Preliminary, subject to change.

† CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the Bonds. None of the Authority, the City, the Municipal Advisor or the Underwriters is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

No Offering May be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the City 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 representation must not be relied upon as having been authorized by the Authority, the City or the Municipal Advisor. 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.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinions 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 since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Bonds, the Installment Sale Agreement, the Indenture or other documents, are made subject to the provisions of such documents 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 Clerk for further information. See "INTRODUCTION - Summaries Not Definitive."

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.

Bonds are Exempt from Securities Laws Registration. The issuance, sale and delivery of the Bonds has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the execution, sale and delivery of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or the City, any press release and any oral statement made with the approval of an authorized officer of the Authority or the City or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

City Website. The City maintains a website. The information on such website is not part of this Official Statement and is not intended to be relied on by investors with respect to the Bonds unless specifically set forth or incorporated herein.

CITY OF CARSON, CALIFORNIA

CITY COUNCIL MEMBERS

Albert Robles, *Mayor*
Cedric L. Hicks, Sr., *Mayor Pro Tem*
Lula Davis-Holmes, *Council Member*
Jim Dear, *Council Member*
Jawane Hilton, *Council Member*

CITY STAFF

John Raymond, *Assistant City Manager – Economic Development/Acting City Manager*
David Roberts, *Assistant City Manager – Administrative Services*
Dr. Maria Slaughter, *Director of Public Works*
Tarik Rahmani, *Director of Finance*
Said Naaseh, *Director of Community Development*
Donesia L. Gause-Aldana, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel and City Attorney

Aleshire & Wynder, LLP
Irvine, California

Disclosure Counsel

Nixon Peabody LLP
Los Angeles, California

Municipal Advisor

Harrell & Company Advisors, LLC
Orange, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

\$18,300,000*

CARSON PUBLIC FINANCING AUTHORITY REVENUE BONDS, SERIES 2019 (Measure M & R Local Streets Project)

This Official Statement, which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Carson Public Financing Authority (the “Authority”) Revenue Bonds, Series 2019 (Measure M & R Local Streets Project) (the “Bonds”), in the aggregate principal amount of \$18,300,000*.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the Bonds, see the summary included in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The City and the Authority

The City of Carson (the “City”) was incorporated as a general law city on February 20, 1968, and became a charter city on January 1 2019. The City encompasses approximately 19.2 square miles in the southern Los Angeles County area known as South Bay. The City is located approximately 13 miles south of downtown Los Angeles. Neighboring communities include the cities of Long Beach, Compton and Lakewood. See “CITY OF CARSON” herein.

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City and the Carson Housing Authority formed the Authority by the execution of an amended and restated joint exercise of powers agreement on October 6, 2015.

Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to provide funds to acquire or construct and to refinance public capital improvements, such revenue bonds to be repaid from the installment payments described herein.

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor serves as the Chairman of the Authority. The City Manager of the City acts as the Chief Administrative Officer.

* Preliminary, subject to change.

Purpose

The Bonds are being issued to finance the design, acquisition, and construction of certain local roadway and street improvement projects (collectively, the “Projects”) in the City, purchase a debt service reserve policy to satisfy the reserve requirement for the Bonds and to pay the costs of issuing the Bonds. See “THE FINANCING PLAN” herein.

Security and Sources of Repayment

The Bonds are secured under an Indenture of Trust, dated as of June 1, 2019 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”). See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The Bonds are payable from the Revenues pledged under the Indenture. The Revenues consist primarily of installment payments (the “Installment Payments”) to be made by the City to the Authority and of certain funds held under the Indenture and investment earnings thereon (collectively with the Installment Payments, the “Revenues”). The Authority will sell the Projects to the City pursuant to an Installment Sale Agreement, dated as of June 1, 2019 (the “Installment Sale Agreement”), by and between the Authority and the City.

Under the Installment Sale Agreement, the Installment Payments are payable from and secured by a first lien on:

- all Measure M Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by Los Angeles County, California (the “County”), to the extent that the applicable Project constitutes a Measure M Project (as such term is defined herein), and
- all Measure R Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by the County through June 30, 2039), to the extent that the applicable Project constitutes a Measure R Project (as such term is defined herein).

Installment Payments are payable in an amount that is sufficient to pay, when due, the annual principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS,” “MEASURE M AND MEASURE R SALES TAX,” and “RISK FACTORS.” The Measure M Receipts and Measure R Receipts are the only source of payment of the Installment Payments. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Payments. The obligation of the City to pay the Installment Payments is not subject to abatement.

All of the Authority’s right, title and interest in and to the Installment Sale Agreement (apart from certain indemnification rights), including the right to receive Installment Payments under the Installment Sale Agreement, are assigned to the Trustee under the Indenture for the benefit of Bondholders.

For a summary of the Indenture and the Installment Sale Agreement, see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in “APPENDIX A.”

Municipal Bond Insurance and Reserve Account Insurance Policy

Concurrently with the issuance of the Bonds, _____ (the “Municipal Bond Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds maturing in the years ____ through and including ____ (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of

principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.” The Policy does not insure the payment of the Bonds maturing in the years ____ through and including ____ (the “Uninsured Bonds”).

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account has been established by the Indenture. The Reserve Account will be funded by the purchase of a Debt Service Reserve Municipal Bond Insurance Policy (the “Reserve Policy”) issued by the Municipal Bond Insurer in an amount equal to the Reserve Requirement as defined in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS - Reserve Account.”

Limited Obligation

The obligation of the City to pay Installment Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the State of California (the “State”) or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the City and the Authority by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney and General Counsel to the Authority. Certain legal matters will be passed on for the Underwriters by their Counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture and by Resolution No. _____ of the Authority adopted on _____, 2019.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about June 12, 2019 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX E - THE BOOK-ENTRY SYSTEM.”

Summaries Not Definitive

The summaries and references contained herein with respect to the Indenture, the Installment Sale Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Municipal Advisor. Copies of these documents may be obtained after delivery of the Bonds at the trust office of the Trustee, The Bank of New York Mellon Trust Company, N.A., Los Angeles, California or from the City at 701 E. Carson Street, Carson, California 90745.

Scheduled Debt Service on the Bonds

The following is a schedule of semi-annual Installment Payments and therefore the total scheduled debt service on the Bonds, assuming no optional redemptions are made.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
12/1/2019				
6/1/2020				
12/1/2020				
6/1/2021				
12/1/2021				
6/1/2022				
12/1/2022				
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6/1/2038				
12/1/2038				
6/1/2039				

THE FINANCING PLAN

The Projects

The City has determined to finance all of the eligible Measure M Projects and Measure R Projects with a useful life of 20 years shown in the table below, and will further finance \$9 million of the \$19 million eligible Measure M Projects and Measure R Projects with a useful life of 15 years shown in the table below.

<u>Project Name</u>	<u>Description</u>	<u>Location</u>	<u>Useful Life</u>	<u>Cost</u>
Traffic Signal Installation	New Corporate Yard Site - West entrance	Broadway	20	\$ 250,000
Traffic Signal Installation	New Corporate Yard Site - East entrance	Main St.	20	250,000
Traffic Signal Installation	Traffic Signal Installation	Main St. and Lenardo	20	250,000
Traffic Signal Installation	Traffic Signal Installation	Del Amo and Stamps Drive	20	250,000
Traffic Signal Installation	Traffic Signal Installation	Lenardo and Stamps Drive	20	250,000
Traffic Signal Installation	Traffic Signal Installation (3 driveways)	Lenardo and FOLA driveways	20	750,000
Lenardo Drive	Construction of Lenardo Drive within 157 acres	Lenardo Drive	20	<u>10,000,000</u>
Total Measure M Projects and Measure R Projects with a useful life of 20 years				<u>\$12,000,000</u>

<u>Project Name</u>	<u>Description</u>	<u>Location</u>	<u>Useful Life</u>	<u>Cost</u>
Carson Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	405 Fwy. to Santa Fe	15	\$ 1,178,267
213th Street Improvement (Phase 1)	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Chico to Wilmington	15	1,000,000
223rd Street Widening & Roadway Reconstruction	The street improvement includes street widening, installation of raised landscape median; rehabilitation of the existing roadway including curb, gutter and sidewalk, and irrigation system, installation of parkway trees, regulatory traffic signing, and pavement striping.	223rd Street -Lucerne to Alameda	15	3,601,766
209th Street/Brant Ave./Lamberton Ave./ Maciel Ave - Selective Roadway Reconstruction	This project includes construction of curb and gutter, installation of street lights, and pavement rehabilitation. It also includes removal of existing asphalt berm, and possible right-of-way acquisition.	Various	15	297,230
Dominguez Street Roadway Reconstruction	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Dominguez Street - Wilmington to Alameda	15	250,000

<u>Project Name</u>	<u>Description</u>	<u>Location</u>	<u>Useful Life</u>	<u>Cost</u>
Lomita Blvd. Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Figueroa to Avalon Blvd	15	1,362,500
Sepulveda Blvd. Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Figueroa to Avalon Blvd.	15	1,412,500
Avalon Blvd. Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	223rd Street to S/O Sepulveda	15	1,650,028
Main Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Carson to Victoria	15	2,946,593
Wilmington Ave. Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Carson to 220th Street	15	341,399

<u>Project Name</u>	<u>Description</u>	<u>Location</u>	<u>Useful Life</u>	<u>Cost</u>
Victoria Street Improvement	The project includes grinding of existing asphalt pavement, crack sealing, and overlay with rubberized asphalt. It also includes removal and replacement of existing broken/raised concrete sidewalk, driveway, and curb & gutter.	Avalon to Figueroa	15	<u>1,167,692</u>
Total Measure M Projects and Measure R Projects with a useful life of 15 years				<u>\$18,966,586</u>

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and will apply them as follows:

Sources of Funds

Par Amount of Bonds

Net Original Issue Premium

Total Sources of Funds

Uses of Funds

Project Fund

Underwriter's Discount

Costs of Issuance Fund ⁽¹⁾

Total Uses of Funds

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee, rating fees, the Policy and the Reserve Policy premiums, costs of printing the Official Statement, and other costs of issuance of the Bonds.

THE BONDS

General Provisions

Payment of the Bonds. The Bonds will be issued in the form of fully registered Bonds in the principal amount of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on December 1, 2019 and each December 1 and June 1 thereafter (each, an “Interest Payment Date”) until maturity. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal on the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after the fifteenth day of the month preceding such Interest Payment Date (each, a “Record Date”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before November 15, 2019, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest with respect to any Bond shall be payable to the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any Bond shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Book-Entry System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see “APPENDIX E - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Redemption

Optional Redemption. The Bonds shall be subject to mandatory redemption as a whole or in part, upon 20 days’ written notice to the Trustee by the City (or such shorter period as shall be acceptable by the Trustee in its sole discretion) of its intention to optionally prepay the Installment Payments, on any date on or after June 1, 2029*, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption shall be in such order of maturity as the City shall designate (and, if no specific order of redemption is designated by the City, in inverse order of maturity).

[Add Mandatory Redemption of Term Bond if Needed]

* Preliminary, subject to change.

Notice of Redemption; Rescission of Notice. If redemption is authorized or required, notice of redemption shall be mailed by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds 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.

If such redemption is an optional redemption, the notice will state that such redemption is conditioned upon receipt by the Trustee of sufficient funds to insure the payment of the redemption price, including principal and interest.

Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

So long as DTC is the registered Owner of the Bonds, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Bonds. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a particular maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Effect of Redemption. Notice of redemption having been duly given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture; but excluding any Additional Payments. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The Authority will assign to the Trustee for the payment of the Bonds the Authority’s rights, title and interest in the Installment Sale Agreement (with certain exceptions), including the right to receive Installment Payments to be made by the City under the Installment Sale Agreement.

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

Installment Payments

The City is required to pay the Installment Payments from a lien on Measure M Receipts and Measure R Receipts (see “Pledge of Measure M Receipts and Measure R Receipts” below), in an amount equal to the principal and interest due with respect to the Bonds. The Installment Sale Agreement requires the City to make Installment Payments to the Authority at least 5 Business Days preceding each Interest Payment Date. Installment Payments to be paid by the City are assigned and are to be transmitted directly to the Trustee. The Indenture provides that the Installment Payments will be deposited in the Bond Fund maintained by the Trustee under the Indenture and applied to pay the principal and interest on the Bonds.

The obligation of the City to pay Installment Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Measure M Sales Tax

The term “Measure M Ordinance” is defined in the Installment Sale Agreement to mean Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, adopted by the Los Angeles County Metropolitan Transit Authority (“MTA”) on June 23, 2016, and approved by at least two-thirds of electors voting on such proposition in the November 8, 2016 election, as supplemented and amended.

The term “Measure M Revenues” is defined in the Installment Sale Agreement to mean revenues of the MTA pursuant to the Measure M Ordinance derived from a retail transactions and use tax imposed in the County pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, Division 12 (Section 130350 et seq.) of the Public Utilities 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 Measure M Ordinance. Collection of the Measure M Revenues commenced on July 1, 2017 and authorization to collect Measure M Revenues does not terminate.

The term “Measure M Receipts” is defined in the Installment Sale Agreement to mean Measure M Revenues allocated by the MTA to the City pursuant to the Measure M Ordinance from the Local Return Subfund established under the Measure M Ordinance, to the extent that a Project constitutes a Measure M Project, in an amount not greater than the Installment Payments related to such Measure M Project.

The term “Measure M Project” is defined in the Installment Sale Agreement to mean a capital project for which Measure M Receipts may be expended. See the caption “THE FINANCING PLAN - The Projects.”

Measure R Sales Tax

The term “Measure R Ordinance” is defined in the Installment Sale Agreement to mean Ordinance No. 08-01, the Traffic Relief and Rail Expansion Ordinance, adopted by the MTA on July 24, 2008, and approved by at least two-thirds of electors voting on such proposition in the November 4, 2008 election, as supplemented and amended.

The term “Measure R Revenues” is defined in the Installment Sale Agreement to mean revenues of the MTA pursuant to the Measure R Ordinance derived from a retail transactions and use tax imposed in the County pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, Division 12 (Section 130350 et seq.) of the Public Utilities 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 Measure R Ordinance. Collection of the Measure R Revenues commenced on July 1, 2009 and terminates on June 30, 2039.

The term “Measure R Receipts” is defined in the Installment Sale Agreement to mean Measure R Revenues allocated by the MTA to the City pursuant to the Measure R Ordinance from the Local Return Subfund established under the Measure R Ordinance, to the extent that a Project constitutes a Measure R Project, in an amount not greater than the Installment Payments related to such Measure R Project.

The term “Measure R Project” is defined in the Installment Sale Agreement to mean a capital project for which Measure R Receipts may be expended. See the caption “THE FINANCING PLAN - The Projects.”

Pledge of Measure M Receipts and Measure R Receipts

The City has covenanted and agreed to apply Measure M Receipts and Measure R Receipts to the payment of the annual Installment Payments prior to any other expenditure of such funds, subject to the terms for release for expenditure as proved in the Installment Sale Agreement.

All of the Projects to be funded with the proceeds of the Bonds have been determined to each be a qualifying Measure M Project and a qualifying Measure R Project, and the City has covenanted not to spend any Bond proceeds on any of the Projects that do not qualify as both Measure M Project and a Measure R Project. Therefore, the City will be permitted to annually allocate the Installment Payments to be paid from Measure M Revenues and Measure R Revenues and as a result, determine annually the separate amount of Measure M Receipts and Measure R Receipts it will apply toward Installment Payments and that are subject to the lien of the Installment Sale Agreement and the Bonds. In no event will the total of Measure M Receipts and Measure R Receipts be less than the Installment Payments due in such Bond Year.

All Measure M Receipts and Measure R Receipts and any other amounts held by the trustee in any fund or account established under the Indenture (other than the Project Fund or the Rebate Fund) have been irrevocably pledged to the payment of the principal of and interest on the Bonds as provided in the Indenture. The Measure M Receipts and Measure R Receipts will not be used for any other purpose while the Bonds remain outstanding, however, out of the Measure M Receipts and Measure R Receipts there may be applied such sums for such purposes as are permitted by the Indenture. Such pledge will constitute a first pledge of and charge and lien on Measure M Receipts and Measure R Receipts and any other amounts

held by the trustee in any fund or account established under the Indenture (other than the Project Fund or the Rebate Fund) for the payment of the principal of and interest on the Bonds.

Pursuant to the Indenture, the Authority assigned all of its rights and remedies under the Installment Sale Agreement, including its right to receive the Installment Payments and its security interest in and lien on the Measure M Receipts and Measure R Receipts.

Flow of Funds Under the Indenture

Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Bond Fund” which the Trustee shall establish, maintain and hold in trust. Within the Bond Fund there shall be established an Interest Account, a Principal Account and a Reserve Account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

- (a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account equal to the amount of interest coming due and payable on such Interest Payment Date on all Bonds then Outstanding. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).
- (b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.
- (c) The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.
- (d) If the then applicable Interest Payment Date is December 1, all remaining moneys shall be held by the Trustee in the Bond Fund and applied for the next succeeding June 1 Interest Payment Date deposit. If the then applicable Interest Payment Date is June 1, all remaining moneys shall be transferred to the City to be used for any lawful purpose.

[Add Sinking Account Provisions of Needed]

Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to the optional redemption provisions of the Indenture.

Reserve Account

The Reserve Account is established under the Indenture to be funded in an amount equal to the “Reserve Requirement.” As defined in the Indenture, the term “Reserve Requirement” means \$_____ with respect to the Bonds, and means, with respect to Parity Bonds, an amount equal to the least of (a) maximum

annual debt service on the Bonds, (b) 125% of average annual debt service on the Bonds, and (c) 10% of the par amount of the Bonds.

Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account shall be applied solely to the payment of principal and interest due with respect to the Bonds. If, on any Interest Payment Date, the moneys available in the Bond Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Account to make delinquent Installment Payments by transferring the amount necessary for this purpose to the Bond Fund or shall draw on the Reserve Policy (as defined below) and apply amounts received from such draw to make delinquent Installment Payments.

The Indenture provides that in lieu of a cash deposit, the Authority may satisfy all or a portion of a Reserve Requirement by means of a Reserve Policy (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein). The Authority will satisfy the Reserve Requirement for the Bonds by depositing the Reserve Policy in the face amount of \$_____, to be issued by _____ concurrently with the issuance of the Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS - The Indenture - Allocation of Revenues - Application of Reserve Account.” The Reserve Policy is not available to pay debt service on Parity Obligations, if any.

The Authority is not required under the Indenture to replace the Reserve Policy with cash or a replacement instrument in the event the ratings of _____ decline or are withdrawn.

Parity Obligations

The City has the right to issue Parity Obligations. “Parity Obligations” is defined in the Indenture to mean any leases, loan agreements, installment sale agreements, bonds, notes or other obligations of the City payable from and secured by a pledge of and lien upon any of the Measure M Receipts and Measure R Receipts on a parity with the Installment Payments.

Parity Obligations may be issued on a parity with the Installment Sale Agreement and any existing Parity Obligations subject to the following specific conditions:

- (i) The City shall be in compliance with all covenants set forth in the Installment Sale Agreement and with all covenants set forth in the agreements relating to then existing Parity Obligations.
- (ii) The Measure M Revenues and Measure R Revenues as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City, as shown by the books of the City, shall at least equal one hundred fifty percent (150%) of Maximum Annual Debt Service immediately subsequent to the issuance of such Parity Obligations.
- (iii) The instrument providing for the issuance of such Parity Obligations shall provide that:
 - (A) The proceeds of such Parity Obligations shall be applied to the acquisition, construction, improvement, financing or refinancing of additional Projects that are eligible both as a Measure M Project and as a Measure R Project in accordance with the MTA Guidelines (see “RISK FACTORS - “Non-Compliance with MTA Guidelines - Measure M Guidelines” and “ - Measure R Guidelines”), or for the purpose of refunding any Parity Obligations in whole or in part, including all costs (including costs of issuing such Parity Obligations and including capitalized interest on such Parity Obligations during any period which the City deems necessary or advisable) relating thereto;

- (B) Interest on such Parity Obligations shall be payable on June 1 and December 1 in each year of the term of such Parity Obligations except the first year, during which year interest may be payable on any June 1 or December 1; and
- (C) The principal of such Parity Obligations shall be payable on June 1 in any year in which principal is payable.
- (iv) A reserve fund may, but shall not be required to, be established for such Parity Obligations.

MUNICIPAL BOND INSURANCE

[to be completed]

MEASURE M AND MEASURE R SALES TAX

State Sales Tax

In general, the State sales tax (“State Sales Tax”) applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use, or other consumption in the State of property purchased from a retailer for such storage, use, or other consumption. Because the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State. The current Statewide tax rate is 7.25%.

Many categories of transactions are exempt from the State Sales Tax. The most important of these exemptions are sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity, and water when delivered to consumers through mains, lines and pipes. In addition, Occasional Sales (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller’s permit) are generally exempt from the State Sales Tax; however, the Occasional Sales exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County that are shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt both the State Sales Tax.

Measure M Sales Tax

In an election on November 8, 2016, more than two-thirds of the voters in the County approved the Measure M Ordinance, thereby imposing a 0.5% retail transactions and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use, or other consumption in the County of such property purchased from any retailer for storage, use, or other consumption in the County, subject to certain limited exceptions described below (the “Measure M Sales Tax”). The Measure M Sales Tax commenced on July 1, 2017, is administered by MTA and is not limited in duration, and will increase subsequent to July 1, 2039 upon the expiration of the Measure R Sales Tax described below.

The Measure M Ordinance provides for the collection and allocation of revenues as follows: (i) 1% for regional rail; (ii) 2% for Metro State of Good Repair; (iii) 2% for Americans with Disabilities Act (“ADA”) Paratransit for Disabled and MTA discounts for seniors and students; (iv) 2% for Metro Active Transportation Program; (v) 5% for MTA rail operations; (vi) 17% for highway construction; (vii) 17% for local return; (viii) 20% for transit operations; and (ix) 35% for transit construction. The Measure M Receipts constitute the local return portion of such Measure M Revenues allocable to the City (as described in clause (vii) in the previous sentence).

Measure M Sales Tax. The Measure M Sales Tax imposed in the County for transportation purposes and administered by MTA is in addition to the State Sales Tax. The Measure M Sales Tax is generally imposed upon the same transactions and items that are subject to the State Sales Tax, with generally the same exceptions.

The Measure M Sales Tax is also in addition to: (i) Measure R Sales Tax, (ii) a 0.5% sales tax imposed by the Los Angeles County Transportation Commission (the “Commission”), predecessor to the MTA, beginning in 1990 and currently imposed by MTA pursuant to Ordinance No. 49 of the Commission, known

as the “Proposition C Sales Tax;” (iii) a 0.5% sales tax imposed by the Commission beginning in 1980 and currently imposed by MTA pursuant to Ordinance No. 16 of the Commission, known as the “Proposition A Sales Tax;” and (iv) sales taxes that apply only within certain cities within the County. The Measure R Sales Tax will terminate on July 1, 2039 and the Measure M Sales Tax will increase to a 1.0% sales tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure M Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Measure M Revenues. Neither the Authority nor the City is currently aware of any proposed legislative change that would have a material adverse effect on Measure M Revenues.

For information related to MTA, see the caption “LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.”

Measure R Sales Tax

In an election on November 4, 2008, more than two-thirds of the voters in the County approved the Measure R Ordinance, thereby imposing a 0.5% retail transactions and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use, or other consumption in the County of such property purchased from any retailer for storage, use, or other consumption in the County, subject to certain limited exceptions described below (the “Measure R Sales Tax”). The Measure R Sales Tax commenced on July 1, 2009, is administered by MTA and will terminate after 30 years on June 30, 2039.

The Measure R Ordinance provides for the collection and allocation of revenues as follows: (i) 2% for MTA rail capital improvements; (ii) 3% for Metrolink capital improvements; (iii) 5% for rail operations for new transit projects; (iv) 15% for local return (the “Measure R Local Return”); (v) 20% for bus operations allocated using MTA’s formula allocation procedure; (vi) 20% for highway capital projects; and (vii) 35% for specific transit capital projects. The Measure R Receipts constitute the local return portion of such Measure R Revenues allocable to the City (as described in clause (iv) in the previous sentence).

Measure R Sales Tax. The Measure R Sales Tax imposed in the County for transportation purposes and administered by MTA is in addition to the State Sales Tax. The Measure R Sales Tax is generally imposed upon the same transactions and items that are subject to the State Sales Tax, with generally the same exceptions. The Measure R Sales Tax is also in addition to (i) the Measure M Sales Tax (ii) the Proposition C Sales Tax; (iii) the Proposition A Sales Tax; and (iv) sales taxes that apply only within certain cities within the County.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure R Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Measure R Revenues. Neither the Authority nor the City is currently aware of any proposed legislative change that would have a material adverse effect on Measure R Revenues.

Collection and Allocation of Measure M Revenues

Collection of the Measure M Sales Tax began on July 1, 2017, and is administered by the California Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the California Department of Tax and Fee Administration in connection with the administration of the collection of the Measure M Sales Tax. In accordance with the Measure M Ordinance, MTA is required to allocate the proceeds of the Measure M Sales Tax as follows:

<u>Uses</u>	<u>Percentage of Allocation ⁽²⁾</u>
Metro Rail Operations (including Metro Rail State of Good Repair)	5%
Transit Operations (Metro and Municipal Providers)	20%
ADA Paratransit for Disabled; Metro discounts for seniors and students	2%
Transit Construction (includes system connectivity projects – airports, Union Station, and Countywide BRT)	35%
Metro State of Good Repair	2%
Highway Construction (includes system connectivity projects – ports, highway congestion, good movement)	17%
Metro Active Transportation Program (bicycle, pedestrian, complete streets)	2%
Regional Rail	1%
Measure M Local Return ⁽¹⁾	<u>17%</u>
Total	100%

⁽¹⁾ 1% Administration supplements the Measure M Local Return, increasing the Measure M Local Return from 16% to 17% of net revenues, which amount will increase to 20% on July 1, 2039. 17% of the Measure M Sales Tax is allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas thereof on a per capita basis for streets and roads improvements; a comprehensive, integrated transportation network with infrastructure and design that allows safe and convenient travel along and across streets for all users, including pedestrians, users and operators of public transit, bicyclist, persons with disabilities, seniors, children, motorists, users of green modes, and movers of commercial goods, and commonly referred to as “Complete Streets”; urban transportation rights-of-way integrated with stormwater treatment techniques that use natural processes and landscaping and quantitatively demonstrate that they capture and treat stormwater runoff from their tributary watershed through infiltration or other means and are included within respective Enhanced Watershed Management Plans, and commonly referred to as “Green Streets”; storm drains; traffic control measures; active transportation; public transit services and capital, transit oriented community investments; transit marketing; congestion management program (planning, engineering and/or study); transportation administration; or as matching funds for other federal, state or local sources used to fund transportation projects.

⁽²⁾ Does not sum due to inclusion of 1% Administration to supplement Measure M Local Return. See Footnote ⁽¹⁾ above.

The Measure M Ordinance specifies that 17% of the Measure M Sales Tax, which includes a 1% Administration supplement (the “Measure M Local Return”) be allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas each on a per capita basis, which amount will increase to 20% on July 1, 2039. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, has agreed to remit all Measure M Sales Tax revenues to any trustee for MTA’s outstanding bond issues that are secured by Measure M Sales Tax revenues (collectively, the “MTA Measure M Bonds”). Such trustee would thereafter immediately disburse the Measure M Local Return to the MTA. The Measure M Local Return does not serve as security for any of the MTA Measure M Bonds. At this time, MTA has not issued any MTA Measure M Bonds, but may do so in the future.

Currently, apportionments of the Measure M Local Return are being made to 88 cities and the County for the unincorporated areas (each, a “Jurisdiction” and, collectively, the “Jurisdictions”). The Measure M Local Return allocations to the Jurisdictions are based on the population shares from the projected populations as derived from annual estimates made by the California State Department of Finance. The projected populations are revised annually in the formula allocation procedure established by the MTA Board. Before any Jurisdiction can receive any allocations of the Measure M Local Return, such Jurisdiction must sign an assurances and understanding agreement with MTA. Measure M Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Measure M Local Return funds, the governing body of each Jurisdiction must annually adopt a resolution approving such Jurisdiction’s five year plan regarding the expenditure of its Measure M

Revenues and demonstrate its compliance with the required uses of its Measure M Revenues pursuant to an annual audit. See “RISK FACTORS - Non-Compliance with Measure M Guidelines.”

Collection and Allocation of Measure R Revenues

Collection of the Measure R Sales Tax began on July 1, 2009, and is administered by the California Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the California Department of Tax and Fee Administration in connection with the administration of the collection of the Measure R Sales Tax. In accordance with the Measure R Ordinance, MTA is required to allocate the proceeds of the Measure R Sales Tax as follows:

<u>Uses</u>	<u>Percentage of Allocation</u>
New Rail and/or Bus Rapid Transit	35%
Metrolink Capital Improvement Projects within the County	3%
Metro Rail Capital – System Improvements, Rail Yards and Rail Cars	2%
Carpool Lanes, Highways, Goods Movement, Grade Separations and Soundwalls	20%
Rail Operations	5%
Bus Operations	20%
Measure R Local Return ⁽¹⁾	<u>15%</u>
Total	100%

⁽¹⁾ 15% of the Measure R Sales Tax is allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas thereof on a per capita basis for major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit.

The Measure R Ordinance specifies that 15% of the Measure R Sales Tax (the “Measure R Local Return”) be allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas each on a per capita basis. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure R Sales Tax, has agreed to remit all Measure R Sales Tax revenues to any trustee for MTA’s outstanding bond issues that are secured by Measure R Sales Tax revenues (collectively, the “MTA Measure R Bonds”). Such trustee would thereafter immediately disburse the Measure R Local Return to the MTA. The Measure R Local Return does not serve as security for any of the MTA Measure R Bonds. At this time, MTA has issued \$_____ MTA Measure R Bonds.

Currently, apportionments of the Measure R Local Return are being made to 88 cities and the County for the unincorporated areas (each, a “Jurisdiction” and, collectively, the “Jurisdictions”). The Measure R Local Return allocations to the Jurisdictions are based on the population shares from the projected populations as derived from annual estimates made by the California State Department of Finance. The projected populations are revised annually in the formula allocation procedure established by the MTA Board. Before any Jurisdiction can receive any allocations of the Measure R Local Return, such Jurisdiction must sign an assurances and understanding agreement with MTA. Measure R Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Measure R Local Return funds, the governing body of each Jurisdiction must annually adopt a resolution approving such Jurisdiction’s five year plan regarding the expenditure of its Measure R Revenues and demonstrate its compliance with the required uses of its Measure R Revenues pursuant to an annual audit. See “RISK FACTORS - Non-Compliance with MTA Guidelines.”

Measure M Allocation

The following table sets forth the portion of the Measure M Revenues that were distributed by MTA to the City since September 2017.

**TABLE NO. 1
CITY OF CARSON
MEASURE M REVENUE ALLOCATION**

	<u>2017</u>	<u>2018</u>
January	\$ -	\$ 80,870
February	-	107,827
March	-	129,362
April	-	76,066
May	-	119,358
June	-	96,541
July	-	108,981
August	-	99,247
September	72,082	138,570
October	71,731	127,043
November	95,642	79,180
December	<u>137,632</u>	<u>113,773</u>
Total 12 Months	\$377,087	\$1,276,818

Source: City of Carson.

The City is unable to predict whether annual Measure M Revenues will increase or decrease or what portion, if any, of such Measure M Revenues it will receive. For a summary of historical taxable retail sales within the City and the County, see the table entitled “City of Carson and Los Angeles County Total Taxable Transactions” in “CITY OF CARSON - Retail Sales” herein.

The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures and Changes in Fund Balances relating to the City's Measure M Fund for the Fiscal Year 2017-18.

TABLE NO. 2
MEASURE M FUND
BALANCE SHEET
AS OF JUNE 30, 2018 ⁽¹⁾

ASSETS	
Cash and investment	<u>\$943,435</u>
TOTAL ASSETS	<u>\$943,435</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts Payable	\$ 52,321
Accrued Payroll	<u>3,184</u>
TOTAL LIABILITIES	<u>55,505</u>
FUND BALANCE	
Restricted	<u>887,930</u>
TOTAL FUND BALANCE	<u>887,930</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$943,435</u>

Source: City of Carson.

⁽¹⁾ Unaudited.

TABLE NO. 3
MEASURE M FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018 ⁽¹⁾

REVENUES:	
Intergovernmental	\$987,112
Investment income	<u>3,770</u>
TOTAL REVENUES	<u>990,882</u>
EXPENDITURES:	
Capital improvement programs	<u>102,952</u>
Total expenditures	<u>102,952</u>
NET CHANGE IN FUND BALANCE	887,930
BEGINNING FUND BALANCE	<u>-</u>
ENDING FUND BALANCE	<u>\$887,930</u>

Source: City of Carson.

⁽¹⁾ Unaudited.

Measure R Allocation

The following table sets forth the portion of the Measure R Revenues that were distributed by MTA to the City since the Measure R Sales Tax commenced in 2009.

TABLE NO. 4
CITY OF CARSON
MEASURE R REVENUE ALLOCATION

<u>Fiscal Year</u>	<u>Measure R Revenue</u>	<u>Annual Increase</u>
2009-10	\$ 622,057 ⁽¹⁾	
2010-11	823,107	32.3%
2011-12	885,559	7.6%
2012-13	941,401	6.3%
2013-14	968,616	2.9%
2014-15	1,014,581	4.7%
2015-16	1,040,853	2.6%
2016-17	1,057,651	1.6%
2017-18	1,089,253	3.0%

Source: City of Carson.

⁽¹⁾ Measure R Sales Tax was distributed starting in September 2009 during in Fiscal Year 2009-10.

The City is unable to predict whether annual Measure R Revenues will increase or decrease or what portion, if any, of such Measure R Revenues it will receive. For a summary of historical taxable retail sales within the City and the County, see the table entitled “City of Carson and Los Angeles County Total Taxable Transactions” in “CITY OF CARSON - Retail Sales” herein.

For the 12 months ending December 31, 2018, MTA distributed \$1,130,990 of Measure R Revenues to the City.

The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures and Changes in Fund Balances relating to the City's Measure R Fund for the Fiscal Year 2013-14 through 2017-18.

**TABLE NO. 5
MEASURE R FUND
BALANCE SHEET
AS OF JUNE 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>
ASSETS					
Cash and investments	\$2,346,804	\$ 858,927	\$1,277,047	\$2,171,883	\$2,123,096
Due from other funds	-	-	31	-	-
Due from Successor Agency	-	8,096	-	-	-
TOTAL ASSETS	<u>\$2,346,804</u>	<u>\$ 867,023</u>	<u>\$1,277,078</u>	<u>\$2,171,883</u>	<u>\$2,123,096</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 3,210	\$ 604,753	\$ 2,134	\$ -	\$ 1,860
Accrued payroll	133	-	-	-	172
Due to other funds	-	-	-	184,937	189,349
Due to Successor Agency	1,602	9,493	-	-	-
Retentions payable	8,905	-	-	330	-
TOTAL LIABILITIES	<u>13,850</u>	<u>614,246</u>	<u>2,134</u>	<u>185,267</u>	<u>\$191,381</u>
FUND BALANCE:					
Restricted	<u>2,332,954</u>	<u>252,777</u>	<u>1,274,944</u>	<u>1,986,616</u>	1,931,715
TOTAL FUND BALANCE	<u>2,332,954</u>	<u>252,777</u>	<u>1,274,944</u>	<u>1,986,616</u>	<u>1,931,715</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$2,346,804</u>	<u>\$ 867,023</u>	<u>\$1,277,078</u>	<u>\$2,171,883</u>	<u>\$2,123,096</u>

Source: City of Carson.

⁽¹⁾ Unaudited.

TABLE NO. 6
MEASURE R FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> ⁽¹⁾
REVENUES:					
Intergovernmental	\$ 968,616	\$1,014,581	\$1,040,853	\$1,057,651	\$1,089,253
Use of money and property	17,146	9,517	-	-	-
Investment income	<u>-</u>	<u>-</u>	<u>10,319</u>	<u>36,638</u>	<u>12,875</u>
TOTAL REVENUES	<u>985,762</u>	<u>1,024,098</u>	<u>1,051,172</u>	<u>1,094,289</u>	<u>1,102,128</u>
EXPENDITURES:					
Current:					
Public works	517,078	2,971,667	26,871	49,331	-
Capital improvement programs	<u>42,159</u>	<u>132,608</u>	<u>2,134</u>	<u>337,880</u>	<u>1,157,029</u>
TOTAL EXPENDITURES	<u>559,237</u>	<u>3,104,275</u>	<u>29,005</u>	<u>387,211</u>	<u>1,157,029</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>426,525</u>	<u>(2,080,177)</u>	<u>1,022,167</u>	<u>707,078</u>	<u>(54,901)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,594</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,594</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	426,525	(2,080,177)	1,022,167	711,672	(54,901)
FUND BALANCE - BEGINNING OF YEAR	<u>1,906,429</u>	<u>2,332,954</u>	<u>252,777</u>	<u>1,274,944</u>	<u>1,986,616</u>
FUND BALANCE - END OF YEAR	<u>\$2,332,954</u>	<u>\$ 252,777</u>	<u>\$1,274,944</u>	<u>\$1,986,616</u>	<u>\$1,931,715</u>

Source: City of Carson.

⁽¹⁾ Unaudited.

Maximum Annual Debt Service Coverage

The following table set forth the maximum annual debt service coverage with respect to the Bonds. The maximum annual debt service coverage is based upon Measure M Revenues and Measure R Revenues paid to the City in the 12 months ending December 31, 2018.

TABLE NO. 7
MAXIMUM ANNUAL DEBT SERVICE COVERAGE

<u>Period</u>	<u>Measure M Revenues ⁽¹⁾</u>	<u>Measure R Revenues ⁽¹⁾</u>	<u>Total</u>	<u>Maximum Annual Installment Payments*</u>	<u>Debt Coverage*</u>
January 2018 to December 2018	\$1,276,818	\$1,130,990	\$2,407,808	\$1,605,000	1.50x

⁽¹⁾ Source: City of Carson.

* Preliminary, subject to change.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

MTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code. MTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Commission. As the consolidated successor entity, MTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness (bonded or otherwise), immunities, and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering, and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County, to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes.

MTA is governed by a 14-member Board of Directors (the “MTA Board”). The MTA Board is composed of the five members of the County of Los Angeles Board of Supervisors, the Mayor of the City of Los Angeles, two public members, and one member of the City Council of the City of Los Angeles appointed by the Mayor of the City of Los Angeles, four members who are either a mayor or a member of a city council of a city in the County (other than the City of Los Angeles) and who have been appointed by the Los Angeles County City Selection Committee, and a nonvoting member appointed by the Governor.

The MTA Board exclusively exercises and discharges the following powers and responsibilities: (i) establishment of overall goals and objectives; (ii) adoption of the aggregate budget for all of its organizational units; (iii) designation of additional municipal bus operators under criteria enumerated in the California Public Utilities Code; (iv) approval of all final rail corridor selections; (v) final approval of labor contracts covering employees of MTA and its organizational units; (vi) establishment of MTA’s organizational structure; (vii) conducting hearings and setting fares for the operating organizational units; (viii) approval of transportation zones; (ix) approval of any debt instrument with a maturity date exceeding the end of the fiscal year in which it is issued; (x) approval of benefit assessment districts and assessment rates; and (xi) approval of contracts for construction and transit equipment acquisition which exceed \$5,000,000 and making findings in connection with certain procurement decisions.

CITY OF CARSON

The City of Carson encompasses 19.2 square miles and is located in southern Los Angeles County, 13 miles south of downtown Los Angeles, in the area known as the “South Bay.”

While Carson is well known as an industrial center with enviable access to transportation, it is also has more than 120 acres of park land divided into 12 parks, 2 mini-parks and sports/recreational facilities that include 3 swimming pools, a boxing center and the Carson Community Center, as well as the Dignity Health Sports Park, home to the LA Galaxy, and the temporary home to the Los Angeles Chargers since 2017.

General Organization

The City was incorporated as a general law city in 1968, and became a charter city on January 1, 2019. The City operates under the City Council/Manager form of government. The City is governed by a five-member council currently consisting of four members each elected at large for four-year alternating terms and a Mayor elected for a 4-year term. Positions of City Manager and City Attorney are filled by appointments of the City Council.

The current members of the City Council, the expiration dates of their terms and key administrative personnel are set forth below.

CITY COUNCIL

<u>Council Member</u>	<u>Term Expires</u>
Albert Robles, <i>Mayor</i>	November 2020
Cedric L. Hicks, Sr., <i>Mayor Pro Tem</i>	November 2020
Lula Davis-Holmes, <i>Council Member</i>	November 2022
Jim Dear, <i>Council Member</i>	November 2022
Jawane Hilton, <i>Council Member</i>	November 2020

ADMINISTRATIVE PERSONNEL

John Raymond, *Assistant City Manager – Economic Development/Acting City Manager*
David Roberts, *Assistant City Manager – Administrative Services*
Dr. Maria Slaughter, *Director of Public Works*
Tarik Rahmani, *Director of Finance*
Said Naaseh, *Director of Community Development*
Donesia L. Gause-Aldana, *City Clerk*

Governmental Services

The City’s Fiscal Year 2018-19 budget provides for 316 full-time equivalent positions and more than 600 part-time positions under the direction of the City Manager.

Public safety is provided under a contract with the Los Angeles County Sheriff. Fire protection and flood control is provided by the Los Angeles County Fire Protection District and the Los Angeles County Flood Control District.

Other City services include building permit and inspection, landscape and public infrastructure maintenance, weed abatement, municipal code compliance and parks and recreation programs and facilities.

Students living in the City are served by the Los Angeles Unified School District. There are several junior and state colleges and universities within commuting distance from the City.

Transportation

The City enjoys easy access to the Los Angeles Freeway System. A major north-south freeway, Interstate 405 (San Diego Freeway) bisects the City. The City is also served by Interstate 110 (Harbor Freeway) to the west and Interstate 710 (Long Beach Freeway) to the east, both providing access to downtown Los Angeles and the Port of Los Angeles.

Los Angeles International Airport is located 14 miles north of the City and is served by every major airline.

Population

The following table provides population growth for the City of Carson and Los Angeles County between 2014 and 2018.

**TABLE NO. 8
POPULATION
CARSON AND LOS ANGELES COUNTY
2014 – 2018**

As of January 1	<u>CARSON</u>		<u>LOS ANGELES COUNTY</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
<u>Year</u>				
2014	92,904		10,088,458	
2015	93,220	0.3%	10,149,661	0.6%
2016	93,233	0.0%	10,180,169	0.3%
2017	93,453	0.2%	10,231,271	0.5%
2018	93,799	0.4%	10,283,523	0.5%
% Change Between 2014 - 2018		1.0%	1.9%	

Source: State of California, Department of Finance, “E-4 Population Estimates for Cities, Counties and the State, 2011-2018, with 2010 Census Benchmark” Sacramento, California, May 2018.

Employment and Industry

As of December 2018, the civilian labor force for the City was approximately 47,100 of whom 44,800 were employed. The unadjusted unemployment rate as of December 2018 was 4.7% for the City as compared to 4.6% for the County and 4.1% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2013 through 2017 are shown in the following table:

TABLE NO. 9
CITY OF CARSON, LOS ANGELES COUNTY, STATE OF CALIFORNIA
AND UNITED STATES
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2013</u>				
City of Carson	46,851	41,025	5,826	12.4%
Los Angeles County	4,967,167	4,482,594	484,573	9.8%
California	18,624,992	16,958,403	1,666,589	8.9%
United States	155,389,000	143,929,000	11,460,000	7.4%
<u>2014</u>				
City of Carson	46,858	41,906	4,952	10.6%
Los Angeles County	5,004,087	4,591,068	413,019	8.3%
California	18,758,399	17,351,318	1,407,081	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%
<u>2015</u>				
City of Carson	46,367	42,416	3,951	8.5%
Los Angeles County	5,002,332	4,671,098	331,234	6.6%
California	18,896,477	17,724,799	1,171,678	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
<u>2016</u>				
City of Carson	46,003	43,404	2,599	5.6%
Los Angeles County	5,054,938	4,789,505	265,433	5.3%
California	19,093,658	18,048,827	1,044,831	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
<u>2017</u>				
City of Carson	46,530	44,257	2,273	4.9%
Los Angeles County	5,123,933	4,883,640	240,293	4.7%
California	19,311,958	18,393,077	918,881	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

The City is located in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). Wage and salary workers by industry statistics for the Metropolitan Division as of December for the years 2014 through 2018 are shown in the following table.

TABLE NO. 10
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

<u>Industry</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Government	570.5	581.9	591.4	596.0	592.8
Other Services	151.5	151.8	154.9	152.0	157.2
Leisure and Hospitality	471.6	498.2	518.5	531.7	556.1
Educational and Health Services	736.9	764.9	789.1	810.0	825.5
Professional and Business Services	597.0	607	611.6	626.1	642.5
Financial Activities	214.5	219.9	221.9	224.9	224.7
Information	201.5	217.4	227.0	218.9	219.3
Transportation, Warehousing and Utilities	170.6	179.4	191.7	199.8	203.1
Service Producing					
Retail Trade	440.3	441.1	441.9	440.9	438.6
Wholesale Trade	226.2	227.5	225.6	227.0	224.7
Manufacturing					
Nondurable Goods	161.1	159.0	154.4	146.4	145.0
Durable Goods	208.3	207.2	201.4	203.1	205.8
Goods Producing					
Construction	119.5	131.4	134.7	138.3	139.7
Mining and Logging	<u>3.1</u>	<u>2.7</u>	<u>2.4</u>	<u>2.2</u>	<u>2.3</u>
Total Nonfarm	4,272.6	4,389.4	4,466.5	4,517.3	4,577.3
Farm	<u>4.9</u>	<u>4.5</u>	<u>5.2</u>	<u>5.4</u>	<u>5.6</u>
Total (all industries)	<u>4,277.5</u>	<u>4,393.9</u>	<u>4,471.7</u>	<u>4,522.7</u>	<u>4,582.9</u>

⁽¹⁾ Annually, as of December.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by month March 2017 Benchmark.*”

TABLE NO. 11
COUNTY OF LOS ANGELES
LARGEST INDUSTRIES ⁽¹⁾

The following table show the largest industries located in the County as of June 30, 2018.

<u>Industry</u>	<u>Employment</u>
Trade, Transportation and Utilities	828,400
Educational & Health Services	804,800
Professional & Business Services	629,100
Government	594,400
Leisure & Hospitality	552,200
Manufacturing	350,400
Financial Activities	222,200
Information	211,900
Other Services	155,300
Construction	144,300

⁽¹⁾ Employment by industry presented because County has been unable to obtain employment numbers for individual employers.

Source: County of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2018.

Personal Income

Personal income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in the County increased by approximately 94% between 2002 and 2017. The following tables summarize personal income for the County for the years 2002 through 2017, and per capita personal income for the County, the State of California and the United States for the years 2002 through 2017. Per capita income is calculated as the personal income of the residents of the area divided by the resident population of the area.

TABLE NO. 12
LOS ANGELES COUNTY
PERSONAL INCOME
(DOLLARS IN THOUSANDS)

<u>Year</u>	<u>Personal Income</u>	<u>Annual Percent Change</u>
2002	\$306,397,603	
2003	322,159,168	5.1%
2004	342,751,135	6.4%
2005	365,284,999	6.6%
2006	395,200,509	8.2%
2007	412,140,913	4.3%
2008	422,807,196	2.6%
2009	409,793,204	(3.1)%
2010	428,045,182	4.5%
2011	459,098,093	7.3%
2012	492,424,430	7.3%
2013	491,016,518	(0.3)%
2014	525,088,691	6.9%
2015	560,484,548	6.7%
2016	577,071,787	3.0%
2017	593,741,110	2.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis; revised as of November 2018.

TABLE NO. 13
LOS ANGELES COUNTY, STATE OF CALIFORNIA AND THE UNITED STATES
PER CAPITA PERSONAL INCOME

<u>Year</u>	<u>Los Angeles County</u>	<u>California</u>	<u>United States</u>
2002	\$31,568	\$34,233	\$31,832
2003	32,984	35,452	32,681
2004	34,999	37,364	34,251
2005	37,326	39,326	35,849
2006	40,584	42,139	38,114
2007	42,487	43,669	39,844
2008	43,431	43,895	40,904
2009	41,869	42,050	39,284
2010	43,569	43,609	40,545
2011	46,439	46,145	42,727
2012	49,459	48,751	44,582
2013	49,010	49,173	44,826
2014	52,130	52,237	47,025
2015	55,366	55,679	48,940
2016	56,851	57,497	49,831
2017	58,419	59,796	51,640

Source: U.S. Department of Commerce, Bureau of Economic Analysis; revised as of November 2018.

Retail Sales

The following table summarizes the volume of retail sales and taxable transactions for the City of Carson and Los Angeles County for 2007 through 2016 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

TABLE NO. 14
CITY OF CARSON AND LOS ANGELES COUNTY
TOTAL TAXABLE TRANSACTIONS
(in \$ thousands)

<u>Year</u>	<u>City of Carson</u>		<u>Los Angeles County</u>	
	<u>Permits</u>	<u>Taxable Transactions</u>	<u>Permits</u>	<u>Taxable Transactions</u>
2007	2,399	\$1,853,014	290,344	\$137,820,418
2008	2,362	1,821,000	289,802	131,881,744
2009	2,221	1,428,961	264,928	112,744,727
2010	2,202	1,471,240	271,293	116,942,334
2011	2,128	1,677,560	266,868	126,440,737
2012	2,137	1,914,741	266,414	135,295,582
2013	2,179	1,999,477	263,792	140,079,708
2014	2,250	1,929,459	272,733	147,446,927
2015	2,549	2,042,860	310,063	151,033,781
2016	2,554	2,096,547	311,295	154,208,333

Source: State Board of Equalization, "Taxable Sales in California."

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Installment Payments Constitute Limited Obligations

The obligation of the City to make Installment Payments under the Installment Sale Agreement is a special obligation of the City, payable solely from the Measure M Receipts and Measure R Receipts, does not constitute a debt of the City, the Authority, the County, the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City, the County, the State or any political subdivision of the State (other than the Authority) is obligated to levy or pledge any form of taxation or for which the City, the County, the State, or any political subdivision of the State (other than the Authority) has levied or pledged any form of taxation. The Authority has no taxing power.

Measure M Receipts

As described under the caption “MEASURE M AND MEASURE R SALES TAX - Measure M Sales Tax,” the Measure M Sales Tax commenced on July 1, 2017 and there is only a short history of collection and allocation of the Measure M Local Return, which constitutes Measure M Receipts allocable to the City for the payment of Installment Payments under the Installment Sale Agreement. No assurances can be made as to the sufficiency of Measure M Receipts to pay Installment Payments under the Installment Sale Agreement.

Passive Revenue Source

The payment of principal of and interest on the Bonds is secured solely by a pledge of Installment Payments, which in turn are secured by a pledge by the City of the Measure M Receipts and Measure R Receipts, and certain funds held under the Indenture. The City does not have any control over the amount of Measure M Receipts and Measure R Receipts to be received by the City because: (i) Measure M Revenues and Measure R Revenues constitute revenues of MTA derived from a retail transactions and use tax imposed in the County pursuant to the Measure M Ordinance and Measure R Ordinance, respectively, and the City has no ability to control the number of transactions and revenues generated by the tax; and (ii) the City does not have any control over the collection or distribution procedures related to any State taxes or local retail transactions and use taxes.

There can be no assurance that future Measure M Receipts and Measure R Receipts will be available in the historical amounts shown in this Official Statement. A decrease in Measure M Revenues and Measure R Revenues would adversely affect the amount and/or availability of Measure M Receipts and Measure R Receipts. In addition, the City must continuously meet certain requirements set forth in the Measure M Ordinance and Measure R Ordinance, respectively, in order to be eligible to receive Measure M Revenues and Measure R Revenues from MTA and apply Measure M Receipts and Measure R Receipts to pay the Installment Payments. Such requirements include the annual adoption by the City of a resolution approving the City’s Five-Year Capital Improvement Plan and compliance by the City with a maintenance of effort requirement. See the captions “MEASURE M AND MEASURE R SALES TAX” and “Non-Compliance with MTA Guidelines” below.

Increased Internet Use May Reduce Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure M Revenues and Measure R Revenues. Internet sales of physical products by businesses that are located in the State, and Internet sales of physical products delivered to the State by businesses that are located outside of the State, are generally subject to sales taxes. However, the City believes that many of these transactions may avoid taxation either through error or deliberate nonreporting, which potentially reduces the amount of Measure M Revenues and Measure R Revenues. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such Internet purchases, the more that the City may experience reductions in Measure M Revenues and Measure R Revenues. On September 23, 2011, Governor Brown signed into law a settlement with Amazon.com Inc., one of the largest internet retailers in the State. As a result, beginning in September 2012, Amazon.com began collecting taxes from its Internet sales in the State to remit to the Board of Equalization.

On June 21, 2018, in the case of *South Dakota v. Wayfair*, the Supreme Court of the United States ruled that states can require online sellers to collect sales taxes. As a result of this ruling, states will be able to require retailers to collect state sales tax on their transactions, whether or not the retailer has a physical presence within the state. The Authority cannot predict the degree that the ruling in *South Dakota v. Wayfair* will affect the collection of the Measure M Sales Tax and Measure R Sales Tax on a going forward basis.

Allocation of Measure M Revenues and Measure R Revenues to the City

The California Department of Tax and Fee Administration administers collection of the Measure M Sales Tax and Measure R Sales Tax. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, has agreed to remit all Measure M Sales Tax revenues to any trustee for MTA Bonds to be secured by Measure M Sales Tax. Such trustee would thereafter immediately disburse the Measure M Local Return to the MTA. The Measure M Local Return does not serve as security for any MTA Bonds that may be issued. Amounts constituting the Measure M Local Return are transferred to the MTA for allocation of the Measure M Revenues to the City as described herein. The trustee for the MTA Bonds would thereafter disburse moneys designated for local agencies to MTA, which allocates such Measure M Revenues to the City as described herein.

The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure R Sales Tax, has agreed to remit all Measure R Sales Tax revenues to any trustee for MTA Bonds to be secured by Measure R Sales Tax. Such trustee would thereafter immediately disburse the Measure R Local Return to the MTA. The Measure R Local Return does not serve as security for any MTA Bonds that may be issued. Amounts constituting the Measure R Local Return are transferred to the MTA for allocation of the Measure M Revenues to the City as described herein. The trustee for the MTA Bonds would thereafter disburse moneys designated for local agencies to MTA, which allocates such Measure M Revenues to the City as described herein. See the caption “MEASURE M AND MEASURE R SALES TAX - Collection and Allocation of Measure M Revenues.”

There can be no assurance that changes in the foregoing procedures or other actions undertaken or not undertaken by the California Department of Tax and Fee Administration, the trustee for any MTA Bonds to be secured by Measure M Sales Tax or any MTA Bonds secured or to be secured by Measure R Sales Tax or by MTA will not adversely affect the City’s receipt of Measure M Revenues or Measure R Revenues.

Limitations on Use of Measure M Revenues and Measure R Revenues

Not all of the Measure M Revenues and Measure R Revenues allocated by MTA to the City may be applied to pay the Installment Payments. Only the Measure M Receipts and Measure R Receipts may be so applied. See the caption “SOURCES OF PAYMENT FOR THE BONDS - Measure M Sales Tax” and “- Measure R Sales Tax” for detailed definitions of such terms.

Project Eligibility

The projects to be constructed by the City must be designated by MTA as qualified projects for purposes of the local streets and roads program established under the Measure M Ordinance and the Measure R Ordinance. Only such Measure M Projects are eligible to be financed from Measure M Receipts and only Measure R Projects are eligible to be financed from Measure R Receipts. Although the City believes that all of the components of the Projects constitute a Measure M Project as well as a Measure R Project, there can be no assurance as to the continuing eligibility of such Project for MTA's local streets and roads program. See the captions "MEASURE M AND MEASURE R SALES TAX - Collection and Allocation of Measure M Revenues," "- Collection and Allocation of Measure R Revenues" and "Non-Compliance with MTA Guidelines" below.

Non-Compliance with MTA Guidelines

Measure M Guidelines. In connection with the Measure M Ordinance, on June 22, 2017 MTA approved guidelines relating to the administration and use of the Measure M Sales Tax (the "Measure M Guidelines"). The Measure M Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure M Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure M Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its "Measure M Local Return" account with available funds other than Measure M Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure M Guidelines.

Under the Measure M Guidelines, the City is required to expend Measure M Sales Tax monies only on those transportation purposes identified in the Measure M Guidelines. If the City is found to have expended funds without MTA's approval, the City will be required to reimburse its Measure M Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Measure M Sales Tax was expended on projects that do not meet the Guidelines' definition of transportation purposes, then the City will be required to reimburse its Measure M Sales Tax account in an amount equal to the non-qualifying expenditures plus interest, and could also face a suspension of disbursements of Measure M Sales Tax for a period of three years. If such a suspension were imposed, the City would not receive any Measure M Sales Tax during the term of the suspension, which may have an adverse impact on the Authority's ability to pay the principal of and interest on the Bonds on a timely basis.

In addition, the failure of the City to properly verify that all Measure M Sales Tax related revenue, including Measure M Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Measure M Sales Tax account, could result in the suspension of Measure M Sales Tax disbursements until the City has demonstrated to MTA that all such Measure M Sales Tax allocable to the City has been credited to the City's Measure M Sales Tax account. If the City fails to properly credit its Measure M Sales Tax related revenue to its Measure M Sales Tax account, MTA could suspend the distribution of Measure M Sales Tax until the City has demonstrated compliance with the Measure M Guidelines. During the duration of any suspension of Measure M Sales Tax disbursements, the City would not be receiving Measure M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

The Measure M Guidelines also require the local agencies, including the City, to maintain their individual local commitment of funds for transportation projects and services that was expended prior to the receipt of the Measure M Sales Tax (the "MOE"). If the local agency fails to maintain the MOE, then such local agency will be required to reimburse its account with available funds other than Measure M Sales Tax monies.

The City is required to expend Measure M Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to

expend the Measure M Sales Tax allocated to the City, the City is required to return the lapsed Measure M Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five year term limit to expend its allocation of Measure M Sales Tax.

The Measure M Guidelines additionally require that the City annually submit an expenditure plan and an expenditure report to MTA to remain legally eligible to receive Measure M Sales Tax. If the City fails to submit to submit these items to MTA, the City may be determined to be legally ineligible to receive Measure M Sales Tax. During any period when the City is not legally eligible to receive Measure M Sales Tax, the City would not be receiving Measure M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

The Measure M Guidelines also gives MTA the right to suspend or revoke allocation to local agencies that are found to be in gross violation of the Measure M Guidelines, or repeatedly committing violations, or refusing to take corrective measures. During the duration of any suspension of Measure M Sales Tax disbursements or revocation of Measure M Sales Tax allocation, the City would not be receiving M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

Measure R Guidelines. MTA has also adopted Measure R Guidelines. The Measure R Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure R Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure R Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its “Measure R Local Return” account with available funds other than Measure R Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure R Guidelines.

Under the Measure R Guidelines, the City is required to expend Measure R Sales Tax monies only on those transportation purposes identified in the Measure R Guidelines. If the City is found to have expended funds without MTA’s approval, the City will be required to reimburse its Measure R Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Measure R Sales Tax was expended on projects that do not meet the Measure R Guidelines’ definition of transportation purposes, then the MTA has the right to suspend of disbursements of Measure R Sales Tax to the City for a period of three years. If such a suspension were imposed, the City would not receive any Measure R Sales Tax during the term of the suspension, which may have an adverse impact on the Authority’s ability to pay the principal of and interest on the Bonds on a timely basis.

In addition, the failure of the City to properly verify that all Measure R Sales Tax related revenue, including Measure R Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Measure R Sales Tax account, could result in the suspension of Measure R Sales Tax disbursements until the City has demonstrated to MTA that all such Measure R Sales Tax allocable to the City has been credited to the City’s Measure R Sales Tax account. If the City fails to properly credit its Measure R Sales Tax related revenue to its Measure R Sales Tax account, MTA could suspend the distribution of Measure R Sales Tax until the City has demonstrated compliance with the Measure R Guidelines. During the duration of any suspension of Measure R Sales Tax disbursements, the City would not be receiving Measure R Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

Like the Measure M Guidelines, the Measure R Guidelines also require the local agencies, including the City, to maintain their MOE. If the local agency fails to maintain the MOE, then such local agency will be required to reimburse its account with available funds other than Measure R Sales Tax monies.

The City is required to expend Measure R Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to

expend the Measure R Sales Tax allocated to the City, the City is required to return the lapsed Measure R Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five-year term limit to expend its allocation of Measure R Sales Tax.

The Measure R Guidelines additionally require that the City annually submit an expenditure plan and an expenditure report to MTA to remain legally eligible to receive Measure R Sales Tax. If the City fails to submit these items to MTA, the City may be determined to be legally ineligible to receive Measure R Sales Tax. During any period when the City is not legally eligible to receive Measure R Sales Tax, the City would not be receiving Measure R Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

The Measure R Guidelines also give MTA the right to suspend or revoke allocation to local agencies that are found to be in gross violation of the Measure R Guidelines, or repeatedly committing violations, or refusing to take corrective measures. During the duration of any suspension of Measure R Sales Tax disbursements or revocation of Measure R Sales Tax allocation, the City would not be receiving Measure R Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

Parity Obligations

Subject to certain restrictions, the City is permitted to incur Parity Obligations that constitute additional charges against the Measure M Receipts and Measure R Receipts without the consent of Owners of the Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS - Parity Obligations.” To the extent that other Parity Obligations are executed by the City, the funds available to pay the Installment Payments may be decreased. In addition, there is no limitation on the ability of the City to execute any Parity Obligations at any time to refund any outstanding Parity Obligations.

Limitations on Remedies; Bankruptcy

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Bonds, and enforcement of the City’s obligations under the Installment Sale Agreement, may become subject to the federal 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 that 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 under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the City and MTA, 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.

Bond Counsel has limited its opinion as to the validity and enforceability of the Installment Sale Agreement and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion.

The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation, or modification of the rights of the Owners.

Early Redemption Risk

Early payment of the Installment Payments and early redemption of the Bonds may occur in whole or in part without premium, if the City exercises its right to prepay Installment Payments in whole or in part pursuant to the provisions of the Installment Sale Agreement and the Indenture. See “THE BONDS - Redemption - Optional Redemption.”

Loss of Tax Exemption on the Bonds

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were executed and delivered as a result of future acts or omissions of the Authority or the City in violation of its covenants contained in the Indenture and the Installment Sale Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

In addition, Congress has recently adopted and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Authority and the City can provide no assurance that federal tax law will not change while the Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (“IRS”) has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the IRS is likely to treat the Authority or the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority or the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Bond Insurance

In the event of default of the payment of the scheduled principal of or interest on the Insured Bonds when all or some becomes due, the Trustee on behalf of any owner of the Insured Bonds shall have a claim under the Policy for such payments. The Municipal Bond Insurer may direct and must consent to any remedies with respect to the Insured Bonds and the Municipal Bond Insurer’s consent may be required in connection with amendments to any applicable documents relating to the Insured Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Provisions Relating to the 2019 Bond Insurance Policy.”

The Municipal Bond Insurer is expected to insure a majority of the Bonds and may therefore have the ability to direct the actions of the Trustee, give consents and waivers and take other actions without regard to the views of the owners of the Uninsured Bonds. As a result, Owners of Uninsured Bonds may be limited in the rights and remedies they are able to exercise in the event of a default by the Authority under the

Indenture. The Municipal Bond Insurer may have different business and other interests than the Owners of the Uninsured Bonds.

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Municipal Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Municipal Bond Insurer and the ratings on the Insured Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See "CONCLUDING INFORMATION - Ratings on the Bonds" herein.

The obligations of the Municipal Bond Insurer are unsecured contractual obligations and in an event of default by the Municipal Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority, the City, the Underwriter nor the Municipal Advisor has made independent investigation into the claims paying ability of the Municipal Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Municipal Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make the Installment Payments and the Authority to make the debt service payments on the Insured Bonds and the claims paying ability of the Municipal Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information regarding the Municipal Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Municipal Bond Insurer.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIII B of the California Constitution – Limitations on Appropriations

On November 6, 1979, State voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the State Constitution (“Article XIII B”). In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and cost of services rendered by the governmental entity. The “base year” for establishing such appropriation limit is State fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations of an entity of local government that are subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations that are subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from: (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (ii) the investment of tax revenues; and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B allows voters to approve a temporary waiver of a government’s Article XIII B limit. Such a waiver is often referred to as a “Gann limit waiver.” The length of any such waiver is limited to four years. The Gann limit waiver does not provide any additional revenues to a local government or allow a local government to finance additional services.

Installment Payments are subject to the Article XIII B appropriations limitations. The City reports that it has never made appropriations that exceeded the limitation on appropriations under Article XIII B. The impact of the appropriations limit on the financial needs of the City in the future is unknown.

Articles XIII C and XIII D of the California Constitution – The Right to Vote on Taxes

On November 5, 1996, State voters approved Proposition 218, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Article XIII C (“Article XIII C”) and Article XIII D (“Article XIII D”) to the State Constitution, which Articles contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of certain provisions of Proposition 218 will ultimately be determined by the courts with respect to some of the matters discussed below. It is not possible at this time to predict with

certainly the future impact of such interpretations. The provisions of Proposition 218, as so interpreted and applied, may affect the ability of the City to meet certain obligations.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund, require a two-thirds vote. Article XIIC further provides that any general purpose tax that is imposed, extended or increased without voter approval after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election, which must be held within two years of November 5, 1996. The City reports that it has not imposed, extended or increased any such taxes that are currently in effect without voter approval.

Article XIIC also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date that such taxes, assessments, fees and charges were imposed. Article XIIC expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, and absent other legal authority could result in the retroactive reduction in any existing taxes, assessments, fees, or charges. No assurance can be given that the voters within the jurisdiction of the City will not, in the future, approve initiatives that reduce, repeal or prohibit the future imposition or increase of, local taxes, assessments, fees or charges that currently comprise a substantial part of the City's general fund. The terms "local tax," "assessments," "fees" and "charges" are not defined in Article XIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIC as for Article XIID described below. If not, the scope of the initiative power under Article XIIC potentially could include any general fund local tax, assessment, or fee that is not received from or imposed by the federal or State government or derived from investment income. The City does not believe that it currently levies any property related "fees" or "charges" that it considers to be subject to challenge under Article XIIC.

The voter approval requirements of Proposition 218 reduce the flexibility of a local government to raise revenues for its general fund, and no assurance can be given that the City will be able to impose, extend, or increase taxes in the future to meet increased expenditure needs.

Article XIID also added several new provisions relating to how local governments may levy and maintain "assessments" for municipal services and programs. These provisions include, among other things: (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred; and (iii) a majority protest procedure that involves the mailing of a notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. The term "Assessment" in Article XIID is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property and applies to landscape and maintenance assessments for open space areas, street medians, street lights, and parks.

In addition, Article XIID added several provisions affecting "fees" and "charges," defined for purposes of Article XIID to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that: (i) generate revenues exceeding the funds required to provide the property related service; (ii) are used for any purpose other than those for which the fees and charges are imposed; (iii) are for a service not actually used by, or immediately available to, the owner of the property in question; or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Depending on the interpretation of what constitutes a "property related fee" under Article XIID, there could be future restrictions on the ability of

the City to charge its respective enterprise funds for various services provided. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase and, if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge.

The City does not believe that the provisions of Article XIIC or Article XIID will directly impact the Measure M Receipts or Measure R Receipts available to the City to make its Installment Payments required pursuant to the Installment Sale Agreement.

Future Initiatives

Article XIIB, Article XIIC and Article XIID were each adopted as measures that qualified for the ballot pursuant to the State's Constitutional initiative process. From time to time other initiative measures could be adopted that affect the ability of the City to increase or apply revenues and to make or increase appropriations or the ability of MTA to levy, collect or allocate the Measure M Sales Tax, or Measure R Sales Tax, all of which could adversely impact the amount of Measure M Revenues or Measure R Revenues received by the City.

TAX MATTERS

Tax Exemption. At closing, Bond Counsel expects to render an opinion to the Authority that based on existing statutes, regulations, rulings, and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in "APPENDIX D - FORM OF OPINION OF BOND COUNSEL" hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority will covenant to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. In addition, the Authority will make certain representations and covenants in the Indenture and the Tax Certificate to be delivered the date closing. The opinion of Bond Counsel will assume compliance with all these covenants and representations. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest, on the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Original issue discount is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes to the same extent as the interest on the Bonds. Further, such

original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Original issue premium is amortized for federal income tax purposes and State of California personal income taxes over the term of such Bond based on the purchaser's yield to maturity in such Bond, except that in the case of such Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such Bond and with respect to the state and local tax consequences of owning and disposing of such Bond.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by the applicable percentage of the sum of certain items, including interest with respect to the Bonds, (ii) interest, with respect to the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds. This list is not meant to be an exhaustive list of tax treatment that may apply to the Bonds and Owners should contact their own tax advisors regarding whether the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State, local, or federal tax liability.

Certain agreements, requirements, and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income and is exempt from current State of California personal income taxes the ownership or disposition of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State, local, or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Bond Counsel's opinion is rendered as of its date and Bond Counsel assumes no obligation to update its opinion.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no

assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority will covenant, however, to comply with the requirements of the Code. Unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Information Reporting and Backup Withholding. Information reporting requirements will apply to interest (including original issue discount, if any) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payer with a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payer" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Installment Sale Agreement, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Installment Sale Agreement and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Installment Sale Agreement, and as to the validity of the Bonds. See “APPENDIX D” hereto for the proposed form of Bond Counsel’s opinion.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Indenture, the Installment Sale Agreement or the Bonds are not enforceable against the Authority and the City, as applicable, except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors’ rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on for the City and the Authority by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel and by the City Attorney. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Absence of Litigation

The Authority and the City will each furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Installment Sale Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture and the Installment Sale Agreement are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof.

There exists lawsuits and claims against the City that are incidental to the ordinary course of the City’s operations. In the view of the City, there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City’s ability to make Installment Payments when due.

CONCLUDING INFORMATION

Ratings on the Bonds

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “__” to the Bonds. S&P is expected to assign its rating of “__” to the Insured Bonds (being the Bonds maturing June 1, __ through and including June 1, __) with the understanding that the Policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued concurrently by the Municipal Bond Insurer with the delivery of the Bonds. Such ratings reflect only the views of S&P, and any desired explanation of the significance of such ratings may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Certificate, the City undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The Bonds are being sold at an aggregate purchase price of \$_____ (representing the aggregate principal amount of the Bonds plus a net original issue premium of \$_____ and less an underwriting discount of \$_____) pursuant to a bond purchase contract (“Bond Purchase Contract”) entered into between the Authority and the City and Piper Jaffray & Co. and Cabrera Capital Markets, LLC (the “Underwriters”).

The expenses associated with the issuance of the Bonds are being paid by the Authority and the City from proceeds of the Bonds. The right of the Underwriters to receive compensation in connection with the Bonds is contingent upon the issuance and delivery by the Authority, and the purchase by the Underwriters, of the Bonds. The Bond Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The Underwriters will initially offer the Bonds for sale at the prices and yields set forth on the inside cover page of this Official Statement. Such prices or yields may subsequently change. The Underwriters reserve the right to join with dealers and other investment banking firms in offering the Bonds for sale and may offer to sell Bonds to dealers at prices lower than the initial offering prices.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by Municipal Advisor as to accuracy or completeness, nor has it been independently verified.

Underwriter’s Counsel acts as compliance counsel to the Municipal Advisor in connection with their general regulatory obligations as a municipal advisor; however, such representation does not include representation with respect to the Bonds or any evaluation or opinion as to whether the Municipal Advisor is satisfying or has satisfied any fiduciary duty, fair dealing obligation or suitability analysis with respect to individual transactions or clients.

Continuing Disclosure

The City will provide annually certain financial information and data relating to the City by not later than February 1 in each year commencing February 1, 2020 (the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the “Rule”). Digital Assurance Certification, L.L.C will act as the Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the City’s Disclosure Certificate attached in “APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

[describe non-compliance, if any]

Additional Information

The summaries and references contained herein with respect to the Indenture, the Installment Sale Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in

their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture and the Installment Sale Agreement may be obtained after delivery of the Bonds from the City at 701 E. Carson Street, Carson, California 90745.

References

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 Authority and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement for the City by the City Manager and for the Authority by the Executive Director has been duly authorized by the City and the Authority.

CARSON PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

CITY OF CARSON

By: _____
City Manager

APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL
DOCUMENTS

[to be provided by Bond Counsel]

APPENDIX B
CITY AUDITED FINANCIAL STATEMENTS

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CARSON PUBLIC FINANCING AUTHORITY
REVENUE BONDS, SERIES 2019
(MEASURE M & R LOCAL STREETS PROJECT)

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the CITY OF CARSON (the “**City**”) in connection with the execution and delivery of the bonds captioned above (the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of _____ 1, 2019 (the “**Indenture**”), by and between the Carson Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

The City covenants and agrees as follows:

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

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

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is seven months after the end of the City’s fiscal year (currently February 1 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

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

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Piper Jaffray & Co. and Cabrera Capital Markets, LLC, the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing February 1, 2020, with the report for the 2018-19 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the

preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) An update of the information in Tables 2, 3, 5 and Table 6 of the Official Statement;
- (ii) An update of the information in Table 7 of the Official Statement except the information shall be for the preceding fiscal year; and
- (ii) The principal amount and name of any Parity Obligations issued during the preceding fiscal year.
- (c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.
- (d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.

- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

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

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

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

or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

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

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affected its duties or obligations and further provided that the following conditions are satisfied:

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

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

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

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

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

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2019

CITY TO THE CARSON

By: _____

Name: _____

Title: _____

AGREED AND ACCEPTED:
DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City to the Carson

Name of Issue: Revenue Bonds, Series 2019
(Measure M & R Local Streets Project)

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2019, executed and delivered by the City in connection with the execution and delivery of the bonds captioned above. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

[to be provided by Bond Counsel]

APPENDIX E

THE BOOK-ENTRY SYSTEM

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

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

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 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 each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX F
SPECIMEN MUNICIPAL BOND INSURANCE POLICY