

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED _____, 2021

OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS [OR ACCREDITED INVESTORS]

NEW ISSUE- BOOK-ENTRY ONLY**RATING****RATING: S&P: “_____”**

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

In the opinion of Co-Bond Counsel, under existing laws, regulations, rulings, and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, and such interest is excludable from federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code. Co-Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from State of California personal income tax. For a more complete description, see “TAX MATTERS” herein.

\$ _____
INDEPENDENT CITIES FINANCE AUTHORITY
(CITY OF COMPTON, CALIFORNIA)
SALES TAX REVENUE BONDS, SERIES 2021

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

The Independent Cities Finance Authority (City of Compton, California) Sales Tax Revenue Bonds, Series 2021 (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 Compton (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 Trust Agreement, as defined herein, consisting primarily of installment payments (the “Installment Sale Payments”) to be made by the City to the Independent Cities Finance Authority (the “Authority”) from Measure M Receipts, Measure R Receipts and Proposition C Receipts (collectively, the “Sales Tax Receipts”), as defined herein, pursuant to an Installment Sale Agreement, as defined herein, and from certain funds held under the Trust Agreement and insurance or condemnation awards. The City is required under the Installment Sale Agreement to make Installment Sale 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 Sales Tax Receipts are the only source of payment of the Installment Sale Payments, and the City has covenanted to use the net proceeds of the Bonds to fund only Projects that constitute Measure M Project, Measure R Project and Proposition C Project, as applicable, 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 Sale Payments or the Bonds.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021, until maturity or earlier redemption. See “THE BONDS - General Provisions” and “THE BONDS - Redemption” herein.

THE BONDS ARE PAYABLE EXCLUSIVELY FROM THE REVENUES AND OTHER FUNDS AS IS PROVIDED IN THE TRUST AGREEMENT. THE GENERAL FUND OF THE AUTHORITY IS NOT LIABLE, AND THE CREDIT OF THE AUTHORITY IS NOT PLEDGED, FOR THE PAYMENT OF THE INTEREST AND PREMIUM (IF ANY) ON OR PRINCIPAL OF THE BONDS. THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND ANY PREMIUM UPON THE REDEMPTION OF ANY THEREOF, SHALL NOT BE A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE AUTHORITY OR UPON ANY OF ITS INCOME, RECEIPTS OR REVENUES EXCEPT THE REVENUES AND OTHER FUNDS PLEDGED TO THE PAYMENT THEREOF AS PROVIDED IN THE TRUST AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT SALE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT SALE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY AND IS NOT A SUMMARY OF THE TRANSACTION. INVESTORS MUST READ THE ENTIRE LIMITED OFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE BONDS ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUBSEQUENT TRANSFERS OF THE BONDS WILL BE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS [OR ACCREDITED INVESTORS] WHO EXECUTE AN INVESTOR LETTER IN THE FORM ATTACHED HERETO AS APPENDIX F. SEE “RISK FACTORS – RESTRICTED PURCHASERS OF BONDS” HEREIN.

The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Butler Snow LLP, Atlanta, California, and Stradling Yocca Carlson & Rauth, A Professional Corporation, as Co-Bond Counsel. Certain legal matters will also be passed on for the City and the Authority by Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation, as Co-Disclosure Counsel, and by the City Attorney. Certain legal matters will be passed on for the Authority by Best Best & Krieger LLP, Riverside, California. Certain legal matters will be passed on for the Underwriter by its counsel, Nixon Peabody 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 _____, 2021 (see “APPENDIX E - THE BOOK-ENTRY SYSTEM” herein).

[Raymond James Logo]

The date of the Limited Offering Memorandum: _____, 2021

* Preliminary; subject to change.

\$ _____

**INDEPENDENT CITIES FINANCE AUTHORITY
(CITY OF COMPTON, CALIFORNIA)
SALES TAX REVENUE BONDS, SERIES 2021**

MATURITY SCHEDULE

(Base CUSIP^{®†} _____)

Maturity Date <u>June 1</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>CUSIP^{®†}</u>
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\$ _____ Term Bond due June 1, 20 ____ — Rate: _____%; Yield: _____% — CUSIP[†]: _____

\$ _____ Term Bond due June 1, 20 ____ — Rate: _____%; Yield: _____% — CUSIP[†]: _____

[†] 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 LIMITED OFFERING MEMORANDUM

Use of Limited Offering Memorandum. This Limited Offering Memorandum 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 Limited Offering Memorandum is not to be construed as a contract with the purchasers of the Bonds.

Effective Date. This Limited Offering Memorandum speaks only as of its date, and the information and expressions of opinion contained in this Limited Offering Memorandum are subject to change without notice. Neither the delivery of this Limited Offering Memorandum 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 Limited Offering Memorandum.

No Offering May be Made Except by This Limited Offering Memorandum. 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 Limited Offering Memorandum 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 Limited Offering Memorandum. The information contained in this Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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 Trust Agreement 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 Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum: The Underwriter has reviewed the information in this Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum and is not intended to be relied on by investors with respect to the Bonds unless specifically set forth or incorporated herein.

PRIOR TO THE INITIAL DELIVERY OF THE BONDS, EACH INITIAL PURCHASER OF BONDS WILL BE REQUIRED TO EXECUTE AN INVESTOR LETTER IN THE FORM ATTACHED HERETO AS APPENDIX F (THE "INVESTOR LETTER") IN WHICH, AMONG OTHER MATTERS, SUCH PURCHASER WILL REPRESENT THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT. THE BONDS MAY BE TRANSFERRED ONLY TO QUALIFIED INSTITUTIONAL BUYERS [OR ACCREDITED INVESTORS] WHO SIGN AN INVESTOR LETTER.

INDEPENDENT CITIES FINANCE AUTHORITY

GOVERNING BOARD

MEMBERS:

The Cities of Baldwin Park, Compton, Huntington Park,
Lynwood, San Fernando, South Gate and Vernon

ASSOCIATE MEMBERS:

The Cities of Alhambra, Apple Valley, Azusa, Barstow, Bell, Bellflower, Brea, Calaveras County Water District, Capitola, Carpinteria, Carson, Chino, Claremont, Clovis, Colton, Commerce, Covina, Downey, Duarte, El Monte, Fairfield, Fontana, Fresno, Gardena, Garden Grove, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Indio, Inglewood, La Habra, La Puente, Lakewood, Lancaster, Lawndale, Long Beach, Los Angeles, Monrovia, Montclair, Montebello, Monterey Park, Morgan Hill, Norwalk, Oceanside, Palmdale, Palm Springs, Paramount, Pico Rivera, Planada Community Services District, Pomona, Rancho Cucamonga, Rialto, Riverside, Rohnert Park, Salinas, San Bernardino, San Bernardino County, San Diego County, San Juan Capistrano, San Marcos, San Mateo County, Santa Clarita, Santa Rosa, Signal Hill, Union City, Visalia, Vista, West Covina, Whittier and Yucaipa.

AUTHORITY OFFICERS

Sylvia Ballin, President
Deborah J. Smith, Secretary and Executive Director

SPECIAL SERVICES

Authority Counsel

Best Best & Krieger LLP
Los Angeles, California

Municipal Advisor

Willdan Financial Services
Temecula, California

Co-Bond and Co-Disclosure Counsel

Butler Snow LLP
Atlanta, Georgia

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

Trustee

U.S. Bank National Association
Seattle, Washington

CITY OF COMPTON

MAYOR AND CITY COUNCIL

Aja Brown, Mayor

Michelle Chambers (District 1)

Isaac Galvan (District 2)

Tana McCoy (District 3)

Emma Sharif (District 4)

CITY STAFF

Craig J. Cornwell, City Manager

Michael Antwine II, Assistant City Manager

Damon Brown, City Attorney

Alita Godwin, CMC, City Clerk

Douglas Sanders, City Treasurer

Sharon Rahban Navizadeh, City Controller

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LIMITED OFFERING MEMORANDUM

\$ _____ 1*

INDEPENDENT CITIES FINANCE AUTHORITY (CITY OF COMPTON, CALIFORNIA) SALES TAX REVENUE BONDS, SERIES 2021

This Limited Offering Memorandum, which includes the cover page and appendices (the “Limited Offering Memorandum”), is provided to furnish certain information concerning the sale of the Independent Cities Finance Authority (City of Compton, California) Sales Tax Revenue Bonds, Series 2021 (the “Bonds”), in the aggregate principal amount of \$_____.

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 Limited Offering Memorandum and the offering of the Bonds to potential investors is made only by means of the entire Limited Offering Memorandum and the documents summarized herein. Potential investors must read the entire Limited Offering Memorandum 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 Compton (the “City”) is located in the geographical center of the County of Los Angeles (the “County”), between the greater Los Angeles and Long Beach metropolitan areas. The City had approximately 98,032 residents as of January 1, 2020 and encompasses an area of approximately 10.2 square miles.

The Independent Cities Finance Authority (the “Authority”) is a joint powers authority created pursuant to a joint exercise of powers agreement, dated May 5, 1988, as amended, and the joint exercise of powers law of the State of California. The Authority has 7 members and 71 associate members.

The Authority has not assumed responsibility for any information in this Limited Offering Memorandum, except for the information relating to the Authority under this caption and the caption “LEGAL MATTERS – Absence of Litigation.”

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.

¹* Preliminary; subject to change.

Security and Sources of Repayment

The Bonds are being issued under a Trust Agreement, dated as of _____ 1, 2021 (the “Trust Agreement”), by and among the Authority, the City and U.S. Bank National Association, 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 Trust Agreement. The Revenues consist primarily of Installment Sale Payments (the “Installment Sale Payments”) to be made by the City to the Authority and of certain funds held under the Trust Agreement and investment earnings thereon (collectively with the Installment Sale Payments, the “Revenues”). The Authority will sell the improvements to the City pursuant to an Installment Sale Agreement, dated as of _____ 1, 2021 (the “Installment Sale Agreement”), by and between the Authority and the City.

Under the Installment Sale Agreement, the Installment Sale 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 the County; 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; and
- all Proposition C Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transaction and use tax that is collected by the County.

The Measure M Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Measure M Project, the Measure R Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Measure R Project, and the Proposition C Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Proposition C Project, as reflected in a certificate of an Authorized City Representative delivered to the Depository Bank and the Trustee. Approximately __% of the Projects constitutes a Proposition C Project. All of the Projects financed using proceeds of the Bonds constitute a Measure M Project and a Measure R Project.

Installment Sale 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, MEASURE R AND PROPOSITION C SALES TAX,” and “RISK FACTORS.” The Tax Revenues are the only source of payment of the Installment Sale Payments. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Sale Payments.

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 Sale Payments under the Installment Sale Agreement, are assigned to the Trustee under the Trust Agreement for the benefit of Bondholders.

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

Depository Account Control Agreement

The City, the Trustee and Bank of the West (the “Depository Bank”) have entered into Deposit Account Control Agreements, each dated as of _____, 2021, pursuant to which the Depository Bank has agreed to comply with written instructions (“Orders”) originated by the Trustee for the disposition of funds in the Measure R Receipts Account, the Measure M Receipts Account and the Proposition C Receipts Account where all Measure R Receipts, Measure M Receipts and Proposition C Receipts, respectively, are deposited, upon the Depository Bank’s receipt of a written notice (the “Notice of Exclusive Control”) for the disposition of funds in such Accounts without further consent from the City and without regard to any inconsistent or conflicting Orders given to the Depository Bank by the City.

Within one Business Day following the occurrence of a Triggering Event, the Trustee is required to deliver a Notice of Exclusive Control to the Depository Bank. Provided that no Triggering Event has occurred since the date of the prior Notice of Exclusive Control, the Trustee is required to deliver to the Depository Bank a [notice rescinding all prior Notices of Exclusive Control] on the date that is six months following the date of the prior Notice of Exclusive Control.

See “SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds Under the Installment Sale Agreement” for description of the City’s obligation to transfer, or cause to be transferred, on a daily basis, all amounts on deposit in the Pledged Tax Fund to the Trustee for deposit in the Revenue Fund.

“Triggering Event” means (a) a transfer from the Reserve Fund to the Interest Fund or the Principal Fund is made pursuant to the Trust Agreement to cure a deficiency in the Interest Fund or the Principal Fund, or (b) an Event of Default occurs of which the Trustee receives notice.

“Diversion Period” means the period from and including the date on which any Triggering Event occurs, to and including the date that is six months after the date of the most recent Triggering Event.

Reserve Fund Insurance Policy

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

Limited Obligation

The Bonds are payable exclusively from the Revenues and other funds as is provided in the Trust Agreement. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The principal of and interest on the Bonds, and any premium upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in the Trust Agreement. The Authority has no taxing power. The obligation of the City to make Installment Sale Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Installment Sale Payments constitutes an indebtedness of the City, the State of California (the “State”) or any of its political subdivisions other than the Authority within the meaning of any constitutional or statutory debt limitation or restriction.

Covid-19 Pandemic

[CONFIRM/UPDATE] The COVID-19 pandemic that has affected the United States and the world during 2020 has led to efforts to quarantine individuals in order to reduce the spread of the virus. As such, the United States, the State, the County, and the City had each declared a “state of emergency” or equivalent. Additionally, the State issued a “stay at home” order that severely restricts the movement of residents and generally mandates residents to remain in their home and, in effect, prohibits non-essential workers from working outside their home. This caused the disruption of daily life in all jurisdictions, including the closure of, among others, bars, dine-in restaurants, retail stores, schools, gyms, movie theatres, certain government buildings and religious institutions, and general prohibitions on gatherings.

As a result of the emergency declaration, the City has limited staffing to those who provide essential services only. City buildings housing essential services remain open at this time, although some services may not be available on-site. The City has asked members of the public who have business to conduct with the City do so over the phone, via email or online if possible.

The economic shut-down caused by the COVID-19 pandemic and related government restrictions on activity materially reduced spending and sales tax revenues collected in the County beginning in the fourth quarter of Fiscal Year 2020. The City expects declines and delays in Revenues although it does not know the full fiscal impact that the COVID-19 pandemic will have. See “RISK FACTORS—COVID-19 Pandemic” for more information on the City’s response to the COVID-19 pandemic.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation as Co-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 Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation as Co-Disclosure Counsel. Certain legal matters will be passed on for the Authority by Best Best & Krieger LLP, Riverside, California, and for the City by the City Attorney. Certain legal matters will be passed on for the Underwriter by its Counsel, Nixon Peabody 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 Trust Agreement and by a resolution of the Authority adopted on [December 1], 2020.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Butler Snow LLP, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Co-Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about _____, 2021 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX E - THE BOOK-ENTRY SYSTEM.”

THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE BONDS ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUBSEQUENT TRANSFERS OF THE BONDS WILL BE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS [OR

ACCREDITED INVESTORS] WHO EXECUTE AN INVESTOR LETTER IN THE FORM ATTACHED HERETO AS APPENDIX F. SEE “RISK FACTORS – RESTRICTED PURCHASERS OF BONDS” HEREIN.

Summaries Not Definitive

The summaries and references contained herein with respect to the Trust Agreement, 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 Trust Agreement. 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, U.S. Bank National Association, Los Angeles, California or from the City at 205 South Willowbrook Avenue, Compton, CA 90220.

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Scheduled Debt Service on the Bonds

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

[illegible]

THE FINANCING PLAN

The Projects

The descriptions of the Projects to be financed using the proceeds of the Bonds are as follows:

RESIDENTIAL STREET REHABILITATION PROJECT CIP# 18-01, Phase 1

<i>Street</i>	<i>From</i>	<i>To</i>	<i>Potential Funding Source</i>
1 Tajauta Avenue	Rosecrans Avenue	Compton Boulevard	Measure R & M
2 Myrrh Street	Santa Fe	East City Limit	Measure R & M
3 Bradfield Avenue	Pixley Street	Compton Boulevard	Measure R & M
4 Elva Avenue	Parmelee Avenue	138th Street	Measure R & M
5 Grandee Avenue	El Segundo Boulevard	138th Street	Measure R & M
6 Caldwell Street	Oleander	West City Limits	Prop C, Measure R & M
7 Alondra Boulevard	Lime Avenue	East City Limit	Measure R & M

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RESIDENTIAL STREET REHABILITATION PROJECT
CIP# 18-01, Phase 2

	<i>Street</i>	<i>From</i>	<i>To</i>	<i>Potential Funding Source</i>
1	135th Street/Stockwell Street	Parmelee Avenue	Elva	Measure R & M
2	Alameda Street East	City Limit North	City Limit South	Prop C, Measure R & M
3	Alameda Street West	City Limit North	City Limit South	Prop C, Measure R & M
4	Alondra Boulevard	City Limit West	Lime Avenue	Prop C, Measure R & M
5	Bradfield Avenue	Compton Boulevard	Alondra Boulevard	Measure R & M
6	Bullis Road	City Limit North	City Limit South	Prop C, Measure R & M
7	Compton Avenue	130th Street	134th Place	Measure R & M
8	Compton Boulevard	City Limit East	City Limit West	Prop C, Measure R & M
9	Greenleaf Boulevard	City Limit East	Alameda Street	Prop C, Measure R & M
10	Oris Street	Willowbrook Avenue	City Limit East	Measure R & M
11	Palmer Street	Alameda Street	Bowen	Measure R & M
12	Parmelee Avenue	City Limit North	138th Street	Measure R & M
13	Rosecrans Avenue	City Limit East	Alameda Street	Prop C, Measure R & M
14	Sante Fe Avenue	City Limit North	City Limit South	Prop C, Measure R & M
15	Slater Street	133rd Street	Wilmington Avenue	Measure R & M
16	Tucker Street	Van Ness Avenue	Long Beach Boulevard	Measure R & M
17	Greenleaf Boulevard	Central Avenue	Whitemarsh Avenue	Prop C, Measure R & M
18	Walnut Street,	Walnut Park Drive	Walnut Park Way	Prop C, Measure R & M
19	Wilmington Avenue	Rosecrans Avenue	City Limit South	Prop C, Measure R & M

Estimated Sources and Uses of Funds

Under the provisions of the Trust Agreement, 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

Original Issue Premium/Discount

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 Co-Bond Counsel, Municipal Advisor, Co-Disclosure Counsel and Trustee, rating fees, the Reserve Policy premium, costs of printing the Limited Offering Memorandum, 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 denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Bonds is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2021 (each, an "Interest Payment Date"), at the rates per annum set forth on the inside front cover page hereof, until maturity or earlier redemption. 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 _____ 15, 20____, 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.

THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE BONDS ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUBSEQUENT TRANSFERS OF THE BONDS WILL BE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS [OR ACCREDITED INVESTORS] WHO EXECUTE AN INVESTOR LETTER IN THE FORM ATTACHED HERETO AS APPENDIX F. SEE "RISK FACTORS – RESTRICTED PURCHASERS OF BONDS" HEREIN.

Redemption

Optional Redemption. The Bonds maturing on or after [June 1, 2031] shall be subject to optional redemption prior to maturity, at the option of the City, on or after [June 1, 2030], in whole or in part (by lot within any maturity), on any date, at a Redemption Price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium. The City shall provide notice to the Authority and the Trustee at least forty-five (45) days prior to the redemption date (or such lesser period of time acceptable to the Trustee in its sole discretion) specifying the principal amount of the Installment Sale Payments to be prepaid).

Mandatory Redemption Upon Event of Default. The Bonds shall be subject to mandatory redemption prior to maturity, in whole or in part (by lot among Bonds with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate), on any date, from amounts received upon the acceleration of Installment Sale Payments upon the occurrence of an Event of Default under the Installment Sale Agreement, at a Redemption Price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption, without premium).

Mandatory Sinking Account Redemption. The Bonds maturing on June 1, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof plus accrued interest thereon to the redemption date.

As and for a sinking fund for the redemption of the Term Bonds maturing on June 1, 20__, the City shall deposit in the Interest Fund and the Principal Fund moneys which are sufficient to redeem the following principal amount of the Term Bonds maturing on June 1, 20__:

Redemption Date (June 1)	Principal Amount
<hr/>	<hr/>

* Maturity

Purchase in Lieu of Redemption. In lieu of redemption of any Bonds, amounts on deposit in the Revenue Fund or in any sinking account therein may also be used and withdrawn by the Trustee at any time, upon the Request of the City, for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the City may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date. The principal amount of any Bonds so purchased by the Trustee in any twelve-month period ending 60 days prior to any Bond Payment Date in any year shall be credited towards and shall reduce the principal amount of such Term Bonds, if any, required to be redeemed on such Bond Payment Date in such year.

Notice of Redemption or Purchase. Notice of redemption or purchase shall be mailed by first-class mail by the Trustee, upon direction of the City, not less than 20 nor more than 60 days prior to the redemption or purchase date, to (i) the respective Owners of any Bonds designated for redemption or purchase at their addresses appearing on the registration books of the Trustee, and (ii) if the Bonds are no longer held by the Depository, to the Securities Depositories and the Municipal Securities Rulemaking Board through its Electronic Municipal Marketplace Access (EMMA) System. Notice of redemption shall be given by telecopy, certified, registered, or overnight mail to the Securities Depositories and the Municipal Securities Rulemaking Board through its Electronic Municipal Marketplace Access (EMMA) System. Each notice of redemption or purchase shall state the date of such notice, the date of issuance of the Bonds, the redemption or purchase date, the Redemption Price or Purchase Price, the place or places of redemption or purchase (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the Bonds of each Bond Payment Date or Dates, and, if less than all of the Bonds of any such Bond Payment Date, the distinctive bond numbers of the Bonds with such Bond Payment Date, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price or Purchase Price represented thereby or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption or purchase date, and that from and after such redemption or purchase date, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Notice of redemption or purchase of Bonds shall be given by the Trustee (upon direction of the City), at the expense of the Authority. Conditional notice of optional redemption may be given at the direction of the City and shall be given if funds sufficient to redeem the Bonds are not then on deposit with the Trustee. If at the time of mailing of notice, funds are not then on deposit with the Trustee, such notice shall state that it is conditional upon the deposit of the funds not later than the opening of business on the date of redemption of the Bonds, and such notice shall be of no effect unless such moneys are so deposited.

Failure by the Trustee to give notice pursuant to this Section 2.03 to the Municipal Securities Rulemaking Board through its Electronic Municipal Marketplace Access (EMMA) System or Securities Depositories shall not affect the sufficiency of the proceedings for redemption or purchase. Failure by the Trustee to mail notice of redemption or purchase pursuant to this Section 2.03 to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date with respect to, 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 at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, 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 this Trust Agreement, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

All Bonds redeemed pursuant to the provisions of this Section shall be cancelled upon surrender thereof by the Trustee. All Bonds purchased pursuant to the provisions of this Section shall be registered in the name of the Authority and delivered to, or as directed in writing by, the Authority.

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 Trust Agreement. Revenues, as defined in the Trust Agreement, means all Installment Sale Payments and other payments paid by the City and received by the Authority pursuant to the Installment Sale Agreement and all interest or other income from any investment of any money in any fund or account under the Trust Agreement (other than the Rebate Fund). 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 Sale 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 Trust Agreement. The Authority has no taxing power.

Installment Sale Payments

The City is required to pay the Installment Sale Payments from a lien on the Sales Tax Receipts (see “Pledge of Sales Tax 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 Sale Payments to the Authority on or before each Installment Sale Payment Date. Installment Sale Payments to be paid by the City are assigned and are to be transmitted directly to the Trustee. The Trust Agreement provides that the Installment Sale Payments will be deposited in the Bond Fund maintained by the Trustee under the Trust Agreement and applied to pay the principal and interest on the Bonds.

The obligation of the City to pay Installment Sale 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 Sale 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.

The Measure M Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Measure M Project, as reflected in a certificate of an Authorized City Representative delivered to the Depository Bank and the Trustee. The City believes that all of the Projects financed using proceeds of the Bonds constitute a Measure M Project. See “THE FINANCING PLAN — The Projects” for a description of the projects eligible for funding through Measure M.

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, including the related Administration Fee. 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.

The Measure R Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Measure R Project, as reflected in a certificate of an Authorized City Representative delivered to the Depository Bank and the Trustee. The City believes that all of the Projects financed using proceeds of the Bonds constitute a Measure R Project. See “THE FINANCING PLAN — The Projects” for a description of the projects eligible for funding through Measure R.

The term “Measure R Project” is defined in the Trust Agreement to mean a capital project for which Measure R Receipts may be expended, including the related Administration Fee. See the caption “THE FINANCING PLAN - The Projects.”

Proposition C Sales Tax

The term “Proposition C Ordinance” is defined in the Installment Sale Agreement to mean Ordinance No. 49 adopted by the Los Angeles County Transportation Commission, predecessor to the MTA, on August 8, 1990, and approved by at least two-thirds of electors voting on such proposition in the November 6, 1990 election, as supplemented and amended.

The term “Proposition C Revenues” is defined in the Installment Sale Agreement to mean revenues of the MTA pursuant to the Proposition C Ordinance derived from a retail transactions and use tax imposed in the County of Los Angeles 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 Proposition C Ordinance. Collection of the Proposition C Revenues commenced on April 1, 1991 and does not terminate under the terms of the Proposition C Ordinance.

The term “Proposition C Receipts” is defined in the Installment Sale Agreement to mean Proposition C Revenues allocated by the MTA to the City pursuant to the Proposition C Ordinance.

The Proposition C Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Proposition C Project, as reflected in a certificate of an Authorized City Representative delivered to the Depository Bank and the Trustee. Approximately __% of the Projects financed using proceeds of the Bonds constitutes a Proposition C Project. See “THE FINANCING PLAN — The Projects” for a description of the projects eligible for funding through Proposition C.

The term “Proposition C Project” is defined in the Installment Sale Agreement to mean a capital project for which Proposition C Receipts may be expended, including the related Administration Fee. See the caption “THE FINANCING PLAN - The Projects.”

Pledge of Sale Tax Receipts

The City has covenanted and agreed to apply the Sales Tax Receipts to the payment of the annual Installment Sale 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 Sales Tax Receipts and any other amounts held by the trustee in any fund or account established under the Trust Agreement (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 Trust Agreement. The Sales Tax Receipts will not be used for any other purpose while the Bonds remain outstanding, however, out of

the Sales Tax Receipts there may be applied such sums for such purposes as are permitted by the Trust Agreement. Such pledge will constitute a first pledge of and charge and lien on Sales Tax Receipts and any other amounts held by the trustee in any fund or account established under the Trust Agreement (other than the Project Fund or the Rebate Fund) for the payment of the principal of and interest on the Bonds.

Pursuant to the Trust Agreement, the Authority assigned all of its rights and remedies under the Installment Sale Agreement, including its right to receive the Installment Sale Payments and its security interest in and lien on the Sales Tax Receipts.

Flow of Funds Under the Trust Agreement

Revenue Fund. In order to carry out and effectuate the pledge, charge, and lien contained herein, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust for the benefit of the Owners and shall be deposited when and as received by the Authority in the Revenue Fund which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain with the Trustee so long as any Bonds shall be Outstanding under this Trust Agreement. All Revenues shall be held in trust in the Revenue Fund. All Revenues, whether received by the Authority in trust or deposited with the Trustee, shall nevertheless be allocated, applied, and disbursed solely for the purposes and uses set forth in the Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority, and the Authority shall have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement.

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special funds and accounts within the Revenue Fund in the following order of priority:

- (1) Interest Fund. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on the Bonds purchased or redeemed prior to the payment dates thereof);
- (2) Principal Fund. All money in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable, whether on Bond Payment Dates or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.
- (3) Reserve Fund. All money in the Reserve Fund (including all amounts which may be obtained from any insurance policy on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Fund or the Principal Fund, in that order, in the event of any deficiency at any time in either of such Funds, but solely for the purpose of paying the interest or principal due on the Bonds, except that any cash amounts in the Reserve Fund in excess of the amount required to be on deposit therein shall be withdrawn from the Reserve Fund on each Interest Payment Date and deposited in the Interest Fund.
- (4) Administration Fund. All money in the Administration Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the fees of the Authority, the Trustee, and the Rebate Analyst, payable with respect to the Agreement, this Indenture, or the Bonds, except that any cash amounts in the Administration Fund in excess of the amount required to be on deposit therein shall be withdrawn from the Administration Fund on each Interest Payment Date and deposited in the Interest Fund.

- (5) Surplus Account. So long as no Event of Default of the City has occurred and is continuing hereunder or under the Installment Sale Agreement, the Trustee shall transfer or deposit amounts in the Surplus Account as instructed in a Certificate signed by an Authorized City Representative and the City may use amounts so released from the Surplus Account for any purpose permitted by applicable law, including without limitation the Measure M Ordinance, the Measure R Ordinance, and the Proposition C Ordinance.

On the [sixth (6th)] day of every month, [commencing _____ 6, 20__], the Trustee shall deposit or transfer such amounts in the following order of priority, the requirements of each deposit or transfer of each priority to be fully satisfied, leaving no deficiencies, prior to any deposit or transfer later in priority:

(1) Interest Fund and Principal Fund. The Trustee shall deposit in the Interest Fund, an amount equal to the sum of (I) the product of (aa) a fraction, the numerator of which is 1, and the denominator of which is 6, times (bb) the amount of the interest payment due with respect to the Bonds and any Contracts, on the following Interest Payment Date, less the amount, if any, available in any capitalized interest fund established to pay interest on Contracts; provided, however, that from and after the day on which the sum of the amounts on deposit in the Interest Fund and such interest accounts established for such Contracts is equal to the amount of interest payable on such Interest Payment Date on all outstanding Bonds and Contracts, less any amount available in any capitalized interest fund established to pay interest on Contracts, no further amounts shall be required to be so deposited pursuant to this clause (I), and, provided further that if the amount available is not sufficient to make all such deposits in full, then to such deposits ratably according to the full amount of each such deposit specified to be made, and (II) the Trustee shall deposit in the Principal Fund and the principal account established in connection with any Contracts, the product of (aa) a fraction, the numerator of which is 1, and the denominator of which is 12, times (aa) the amount of the principal payment due with respect to the Bonds and any Contracts, on the following June 1; provided, however, that from and after the day on which the sum of the amounts on deposit in the Principal Fund and such principal accounts established for such Contracts is equal to the amount of principal payable on such June 1 on all outstanding Bonds and Contracts, no further amounts shall be required to be so deposited pursuant to this clause (II), and, provided further that if the amount available is not sufficient to make all such deposits in full, then to such deposits ratably according to the full amount of each such deposit specified to be made, plus an amount equal to any shortfalls in required deposits from prior periods not previously cured. The City shall, at the request of the Trustee, certify to the Trustee the amount of the next interest payments and principal payments, if any, coming due with respect to Contracts. In the event insufficient amounts are available in the Revenue Fund to make all payments required by this paragraph, the available amounts shall be applied to such payments pro-rata based on the amount of the interest or principal payments, as applicable, due on the Bonds and any Contracts.

(2) Reserve Fund. If at any time the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement due to (I) a transfer from the Reserve Fund to the Interest Fund or the Principal Fund to make up a deficiency therein, or (II) a realized loss on a Permitted Investment held therein, the Trustee shall deposit in the Reserve Fund, until the aggregate amount of such deposits equals the amount so transferred or lost, an amount equal to the lesser of (aa) the product of (1) a fraction, the numerator of which is 1, and the denominator of which is 12, times (2) an amount equal to the amount so transferred or lost, plus an amount equal to any shortfalls in required deposits from prior periods not previously cured, or (bb) the amount necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Fund Requirement; no deposit need be made in the Reserve Fund so long as there shall be on deposit therein a sum equal to the Reserve Fund Requirement.

(3) Rebate Fund. The Trustee shall deposit the Rebate Amount in the Rebate Fund if and to the extent required pursuant to the terms of the Trust Agreement.

(4) Administration Fund. The Trustee shall, until the amount on deposit in the Administration Fund is equal to the Administration Fee, deposit in the Administration Fund an amount equal to the lesser of (I) the product of (aa) a fraction, the numerator of which is 1, and the denominator of which is 12, times (bb) the amount of the Administration Fee, or (II) the amount necessary to cause the amount on deposit in the Administration Fund to be equal to Administration Fee, plus an amount equal to any shortfalls in required deposits from prior periods not previously cured.

(5) Surplus Account. The Trustee shall deposit in the Surplus Account all money remaining in the Revenue Fund after the deposits required by paragraphs (1), (2), (3) and (4) above have been made.

Reserve Fund

The Reserve Fund is established under the Trust Agreement to be funded in an amount equal to the “Reserve Fund Requirement.” As defined in the Trust Agreement, the term “Reserve Fund Requirement” means, as of any calculation, an amount equal to the least of (i) 10% of the initial stated principal amount (within the meaning of Section 148 of the Code) of the Installment Sale Payments; (ii) 125% of the average annual Installment Sale Payments, or (iii) the Maximum Annual Debt Service calculated only with respect to the Installment Sale Payments. As of the Closing date, the Reserve Fund Requirement is \$_____.

The Authority will satisfy the Reserve Fund 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.

The Authority is not required under the Trust Agreement to replace the Reserve Policy with cash or a replacement instrument in the event the ratings of _____ decline or are withdrawn. Neither the Authority nor the City will have an obligation to replace the Reserve Policy or to fund the Reserve Fund with cash if, at any time that the Bonds are Outstanding, amounts are not available under the Reserve Policy other than in connection with a draw on the Reserve Policy.

Flow of Funds Under the Installment Sale Agreement

Deposit to and Transfer from Pledged Tax Fund. The City has established the “City of Compton Pledged Tax Fund” (the “Pledged Tax Fund”) and within the Pledged Tax Fund, the “Measure R Receipts Account,” the “Measure M Receipts Account,” and the “Proposition C Receipts Account,” which fund and accounts therein the City agrees and covenants to maintain so long as any Installment Sale Payments remain unpaid. The Measure R Receipts Account, the Measure M Receipts Account and the Proposition C Receipts Account shall at all times be subject to one or more Deposit Account Control Agreements, each dated as of [_____] , 2021, entered into by and among the City, the Trustee and Bank of the West, as Depository Bank (the “Depository Bank”) (collectively, the “Lockbox Agreements”). The City agrees and covenants that (i) all Measure R Receipts received by it shall be deposited when and as received in the Measure R Receipts Account, (ii) all Measure M Receipts received by it shall be deposited when and as received in the Measure M Receipts Account, and (iii) all Proposition C Receipts received by it shall be deposited when and as received in the Proposition C Receipts Account.

The City covenants and agrees to use and apply all Measure R Receipts, Measure M Receipts, and Proposition C Receipts as received on an annual basis to the payment of Installment Sale Payments prior to any other expenditure of such Tax Revenues, subject to the release for expenditure as provided below and only in an amount not exceeding the Measure R Receipts, the Measure M Receipts, and the Proposition C Receipts.

[The City covenants and agrees to include all amounts reimbursable to the Insurer (as more fully described in the Trust Agreement) and Policy Costs (as more fully described in the Trust Agreement) in its calculation of Installment Sale Payments and shall pay all such payments from the Tax Revenues.]

All of the Tax Revenues and all money in the Pledged Tax Fund and in the funds or accounts so specified and provided for in the Installment Sale Agreement are irrevocably pledged to the punctual payment of the Installment Sale Payments and the Administration Fee, and the Tax Revenues and moneys in the Pledged Tax Fund shall not be used for any other purpose while any of the Installment Sale Payments remain outstanding, subject to the provisions of the Installment Sale Agreement permitting application thereof for the purposes and on the terms and conditions set forth in the Installment Sale Agreement. This pledge constitutes a first lien on the Tax Revenues and moneys in the Pledged Tax Fund for the payment of the Installment Sale Payments and the Administration Fee in accordance with the terms thereof.

Notwithstanding anything to the contrary set forth in the Installment Sale Agreement, (a) the Measure M Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Measure M Project, (b) the Measure R Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Measure R Project, and (c) the Proposition C Receipts will only be available to pay Installment Sale Payments to the extent such Installment Sale Payments are attributable to a Proposition C Project, as reflected in a certificate of an Authorized City Representative delivered to the Trustee.

Notwithstanding the foregoing, the City may at any time transfer to the Trustee for deposit in the Revenue Fund Other Available Revenues, and if and when so deposited, all such Other Available Revenues deposited in the Revenue Fund shall be irrevocably pledged to the payment of Installment Sale Payments and shall serve to offset Tax Revenues needed to pay Installment Sale Payments and the Administration Fee.

During any period that is not a Diversion Period, the City shall transfer, or cause to be transferred, on the [fifth (5th)] day of every month (or the next Business Day if such day is not a Business Day), from amounts on deposit in the Pledged Tax Fund to the Trustee for deposit in the Revenue Fund an amount sufficient for the Trustee to make the deposits, if any, required to be made pursuant to the Trust Agreement. The City shall only be required to make transfers pursuant to this paragraph to the extent of amounts on deposit in the Pledged Tax Fund.

During any period that is not a Diversion Period, on or after the [sixteenth] day of each month and after the transfers described in paragraph have been made, and provided that sufficient amounts have been transferred by the City to the Trustee to enable the Trustee to make the deposits, if any, required by the Trust Agreement, then all moneys remaining in the Pledged Tax Fund shall be released from the pledge and lien in favor of the Installment Sale Payments and the Installment Sale Payments and the City may withdraw any such amounts on deposit in the Pledged Tax Fund and use such moneys for any purpose permitted by applicable law, including without limitation uses permitted by the Measure M Ordinance, the Measure R Ordinance, and the Proposition C Ordinance, as applicable.

During any Diversion Period, the City shall transfer, or cause to be transferred, on a daily basis, all amounts on deposit in the Pledged Tax Fund to the Trustee for deposit in the Revenue Fund.

Additional Contracts

So long as the City is not in default under the Installment Sale Agreement, the City may at any time execute any Contract creating obligations that are payable from the Tax Revenues on a parity with the Installment Sale Payments, provided that the Tax Revenues (to the extent pledged to the payment of such

obligations), for the Fiscal Year next preceding the date of the adoption by the City Council of the resolution authorizing the execution of such Contract, or for any more recent period of twelve (12) consecutive months, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the City shall have produced a sum equal to at least 150% of the Maximum Annual Debt Service on the Installment Sale Agreement and any other Contract outstanding after the execution of such amendment or proposed Contract. [Policy Costs due and owing to the Insurer shall be included in the Maximum Annual Debt Service requirement for purposes of the foregoing calculation and the calculation of Maintenance of Tax Revenues in the Installment Sale Agreement.]

Notwithstanding the foregoing, the City may incur Contracts to refund outstanding Installment Sale Payments or outstanding Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which the Installment Sale Agreement or Contracts (outstanding on the date of incurrence of such refunding Contracts, but excluding such refunding Contracts) not being refunded are outstanding.

Nothing herein shall preclude the City from issuing any bonds or notes or executing contracts under which the payments from Tax Revenues are subordinate to any of the Installment Sale Payments or any Contracts of the City.

MEASURE M, MEASURE R AND PROPOSITION C 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 from both the State Sales Tax and the State use 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 to a 1.0% sales tax on July 1, 2039 concurrently with 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 (increasing to 20% on July 1, 2039); (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).

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) 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, administered by the MTA, which commenced on July 1, 2009, and will terminate on June 30, 2039, known as the “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 M Sales Tax will increase to a 1.0% sales tax on July 1, 2039 when the Measure R Sales Tax terminates.

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 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 new rail and bus rapid transit 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).

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 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.

Proposition C Sales Tax

The Proposition C Sales Tax, approved by voters in 1990, is an additional one-half of 1% tax on retail sales in the County. MTA returns 20% of the Proposition C Sales Tax to the cities in the County for transportation purposes. The balance of the Proposition C Sales Tax is restricted 40% for construction and operation of the bus transit and rail system; 5% to expand rail and bus security; 10% for commuter rail, construction of transit centers, park and ride lots and freeway bus stops; and 25% for transit-related improvements to freeways and state highways.

On November 3, 1998 an initiative affecting the Proposition C Sales Tax (the “1998 Initiative”) was submitted and approved by the voters of Los Angeles County. Pursuant to this 1998 Initiative, MTA is no longer allowed to expend Proposition C Sales Tax on the costs of planning, design, construction or operation of any “New Subway.” New Subway is defined to mean any rail line in a tunnel below the earth’s surface, except for the existing segments of the Metro Red Line. The 1998 Initiative did not limit the collection of the Proposition C Sales Tax. Proposition C did not set forth a sunset date for collection of the Proposition C Sales Tax.

The Proposition C Sales Tax is also in addition to: (i) a 0.5% Measure R Sales Tax; (ii) a 0.5% Measure M 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.

In general, the 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 Proposition C Sales Tax is generally imposed upon the same transactions and items that are subject to the State Sales Tax, with generally the same exceptions. Many categories of transactions are exempt from the State Sales Tax and the Proposition C 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 both the State Sales Tax and the Proposition C 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 from the State Sales Tax and the Proposition C Sales Tax.

Action by the State Legislature or by voter initiative (such as the 1998 Initiative) could change the transactions and items upon which the State Sales Tax and the Proposition C Sales Tax are imposed. Such changes or amendments could have either an adverse effect on Proposition C Revenues. Neither the Authority nor the City is currently aware of any proposed legislative change that would have a material adverse effect on Proposition C Revenues.

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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>16%</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 assurance 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 and Measure R 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.

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 assurance 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 Measure M, Measure R and Proposition C Guidelines."

Collection and Allocation of Proposition C Revenues

Collection of the Proposition C Sales Tax began on April 1, 1991, 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 Proposition C Sales Tax. In accordance with the Proposition C Ordinance, MTA is required to allocate the proceeds of the Proposition C Sales Tax as follows:

<u>Uses</u>	<u>Percentage of Allocation</u>
Construction and operation of the bus transit and rail system ⁽¹⁾	40%
Expand rail and bus security	5%
Commuter rail, construction of transit centers, park and ride lots and freeway bus stops	10%
Transit related improvements to freeways and state highways	25%
Proposition C Local Return ⁽²⁾	<u>20%</u>
Total	100%

⁽¹⁾ Pursuant to the Metropolitan Transportation Authority Reform and Accountability Act of 1998, MTA is prohibited from spending Proposition C Sales Tax revenues on the costs of planning, design, construction or operation of any rail line which is a tunnel below the grade level of the earth's surface (including any extension or operating segment thereof), except for Segment 1, Segment 2 and Segment 3 (North Hollywood) of the Red Line, including debt service on bond, notes or other evidences of indebtedness issued for such purposes after March 30, 1998.

⁽²⁾ 20% of the Proposition C Sales Tax is allocated to incorporated cities within the County (including the Local Agencies) and to the County of Los Angeles for the unincorporated areas thereof on a per capita basis for public transit, paratransit and related services. Source: MTA.

The Proposition C Ordinance specifies that 20% of the Proposition C Sales Tax (the "Proposition C Local Return") be allocated to incorporated cities within the County (including the Local Agency) 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 Proposition C Sales Tax, has agreed to remit all Proposition C Sales Tax revenues to the trustee for the MTA's outstanding bond issues that are secured by Proposition C Sales Tax revenues (collectively, the "MTA Proposition C Bonds" and, collectively with the MTA Measure R Bonds and the MTA Measure M Bonds, the "MTA Bonds"). Such trustee will thereafter immediately disburse the Proposition C Local Return to the MTA. The Proposition C Local Return does not serve as security for any of the MTA Proposition C Bonds.

Currently, apportionments of the Proposition C Local Return are being made to 88 cities and the County for the unincorporated areas. The Proposition C 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 Proposition C Local Return, such Jurisdiction must sign an assurances and understanding agreement with MTA. Proposition C Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Proposition C 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 Proposition C Revenues and demonstrate its compliance with the required uses of its Proposition C Revenues pursuant to an annual audit.

Historical Sales Tax Receipts

The following table sets forth the Sales Tax Receipts that were distributed by MTA to the City during the last five fiscal years. [The City has never failed to receive all of the Sales Tax Receipts due to the City since the time MTA began distributing the respective Sales Tax Receipts.]

CITY OF COMPTON HISTORICAL SALES TAX RECEIPTS

Fiscal Year	Measure M Receipts⁽¹⁾	Measure R Receipts	Proposition C Receipts	Total
2015-16	-	\$1,102,044	\$1,467,530	\$2,569,574
2016-17	-	1,118,488	1,490,830	2,609,318
2017-18	\$1,063,073	1,173,073	1,566,259	3,802,405
2018-19	1,409,215	1,249,926	1,666,089	4,325,230
2019-20 ⁽²⁾				

⁽¹⁾ MTA began distributing Measure M Receipts to the City in October of 2017.

⁽²⁾ Receipts reported are unaudited figures. The City's audited financials were not available at the time of posting.

Source: City of Compton

Projected Debt Service Coverage

The following table sets forth the projected annual debt service coverage with respect to the Bonds.

Bond Year Ending June 1	Sales Tax Receipts	Projected Annual Installment Sale Payments *	Debt Service Coverage *
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* Preliminary, subject to change.

¹ Beginning Bond Year June 1, 2041, the Measure M local return percentage increases from 17% to 20%.

Source: City of Compton

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 COMPTON

General

The City of Compton (the “City”) is located in the geographical center of the County of Los Angeles (the “County”), between the greater Los Angeles and Long Beach metropolitan areas. The City had approximately 98,032 residents as of January 1, 2020 and encompasses an area of approximately 10.2 square miles.

Government

City Council and Staff. The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. The City Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal administration; and public utilities and franchises. The City Council governs the City and is composed of five members, four who are residents of their respective City Council districts, and one member who is nominated and elected from the City at large to hold the office of Mayor. The Mayor is the presiding officer of the City Council and is the official head of the City. The Mayor is required to live within the City limits. Other elected officers of the City are the City Clerk, the City Treasurer and the City Attorney. All City Council members and other elected officers serve for a term of four years, without term limits. The City Council appoints the City Manager, who is the chief executive officer and the head of the administrative branch of the City government.

Craig J. Cornwell, City Manager. **[BIO TO COME]**

Triphenia Simmons, Assistant City Manager. **[BIO TO COME]**

Michael Antwine, Assistant City Manager. **[BIO TO COME]**

[_____], [Interim] City Controller. **[BIO TO COME]**

Damon Brown, City Attorney. Damon Brown was appointed to the seat of City Attorney by the Compton City Council on August 1, 2019. Prior to his appointment, Mr. Brown provided advice and counsel to and represented private and public employers, including the City, in all phases of federal and state litigation, in labor negotiations and before administrative and regulatory bodies. Mr. Brown is graduate of the Vanderbilt University Law School with distinction and the University of California Berkeley, where he graduated with high honors. Mr. Brown also studied abroad in the Caribbean and Europe and holds a certificate in international mediation and conciliation from the University of Bologna in Italy.

Financial Statements

The City has had a history of delayed audits. In fiscal year 2010-11, Mayer Hoffman, McCann P.C., resigned from the City's audit and issued an Independent Auditors' Report, but did not issue an opinion on the fiscal year 2010-11 financial statements of the City. The City received audited financial statements for the fiscal year ended June 30, 2012 in which Macias Gini & O'Connell LLP ("MGO") expressed a clean opinion on the fiscal year 2011-12 financial statements. MGO commenced the audit of the 2012-13 financial statements in February 2015 and completed and delivered the final fiscal year 2012-13 audit in August 2015. The City did not produce audited financial statements for the fiscal years 2013-14 through 2016-17. Eadie and Payne LLP completed its audit of the City's financial statements for the fiscal year 2017-18 in December 2019. The City expects to complete the audit of its financial statements for the fiscal year 2019-20 by _____, 2021. However, there is no guaranty that the fiscal year 2019-20 audit will be delivered by the projected delivery date and that there will be no delays in producing audited financial statements thereafter.

Population

The population of the City as of January 1, 2020 was estimated to be 98,032. The following table lists population figures for the City, the County and the State as of January 1 for the last ten years.

TABLE 1
CITY OF COMPTON, COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA

Population Estimates
Calendar Years 2011 through 2020⁽¹⁾

Calendar Year	City of Compton	County of Los Angeles	State of California
2011	97,193	9,879,298	37,561,624
2012	98,083	9,956,882	37,924,661
2013	98,495	10,025,712	38,269,864
2014	98,496	10,078,930	38,556,731
2015	99,024	10,126,423	38,870,150
2016	98,920	10,158,196	39,131,307
2017	98,970	10,193,753	39,398,702
2018	98,710	10,209,676	39,586,646
2019	98,206	10,184,378	39,695,376
2020	98,032	10,172,951	39,782,870

⁽¹⁾ Estimated by the California Department of Finance, Demographic Research Unit, as of January 1 of each year.

Employment

The following table shows certain employment statistics for the City, the County, and the State for calendar years 2011 through 2019.

TABLE 2
CITY OF COMPTON, COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA

City and County Employment Statistics
Calendar Years 2011 through 2019 ⁽¹⁾

Year	City		County		State
	Labor Force	Employed	Unemployment Rate	Unemployment Rate	Unemployment Rate
2011	41,100	33,600	18.3%	12.2%	11.7%
2012	40,600	33,900	16.5	10.9	10.4
2013	40,600	34,600	14.8	9.8	8.9
2014	40,400	35,200	12.7	8.3	7.5
2015	39,700	35,600	10.3	6.6	6.2
2016	39,000	36,300	6.9	5.3	5.5
2017	39,300	36,800	6.3	4.8	4.8
2018	39,600	37,100	6.3	4.6	4.3
2019 ⁽²⁾	39,300	36,900	6.1	4.4	4.0

⁽¹⁾ Not seasonally adjusted. Figures represent the 12-month average for each such year.

⁽²⁾ Does not reflect effects of the COVID-19 Pandemic.

Source: State of California, Employment Development Department.

The table below lists the ten largest employers in the City for 2019.

TABLE 3
CITY OF COMPTON
MAJOR EMPLOYERS

	Name of Company	Employees	Percentage of Total
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
	Total Employment		

Source: _____.

The following table summarizes the civilian labor force in the County for the calendar years 2015 through 2019. These figures are countywide statistics and may not necessarily accurately reflect employment trends in the City.

TABLE 4
LOS ANGELES COUNTY
Annual Average Industrial Employment ⁽¹⁾
Calendar Years 2015-2019

	2015	2016	2017	2018	2019⁽²⁾
Total Farm	5,000	5,300	5,700	4,600	4,500
Mining and Logging	2,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	368,200	360,800	349,000	341,200	339,200
Trade, Transportation and Utilities	822,200	835,600	845,700	851,600	851,500
Information	207,600	229,400	214,900	216,400	217,300
Financial Activities	215,600	219,800	221,600	223,200	223,900
Professional and Business Services	593,800	603,000	612,100	630,400	642,800
Educational and Health Services	745,900	772,700	800,600	821,300	843,600
Leisure and Hospitality	486,600	510,000	524,600	536,500	544,700
Other Services	151,000	153,300	155,700	158,800	158,400
Government	568,500	576,700	586,100	590,600	594,200
Total All Industries ⁽¹⁾	4,293,500	4,403,000	4,456,700	4,522,700	4,571,400
Total Civilian Labor Force ⁽³⁾	4,980,300	5,030,500	5,084,000	5,095,500	5,121,600
Total Unemployment	329,600	264,600	242,200	235,200	227,300
Unemployment Rate	6.6%	5.3%	4.8%	4.6%	4.4%

(1)Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

(2)Does not reflect effects of the COVID-19 Pandemic.

(3)Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

Source: California Employment Development Department, Labor Market Information Division.

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Per Capita Personal Income

The table below shows the per capita personal income for the City, the County and the State for the 2014-18 five-year period.

TABLE 5
CITY OF COMPTON, COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA

Per Capita Income
Calendar Years 2014 through 2018
(in 2018 dollars)

Calendar Year	City of Compton	County of Los Angeles	State of California
2014-18	\$16,348	\$32,469	\$32,621

Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates.

Median Household Income

The table below shows the median household income for the City, the County and the State for the 2014-18 five-year period.

TABLE 6
CITY OF COMPTON, COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA

Median Household Income
Calendar Years 2014 through 2018
(in 2018 dollars)

Calendar Year	City of Compton	County of Los Angeles	State of California
2014-18	\$50,507	\$64,251	\$60,293

Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates.

Retail Sales

The following table summarizes the volume of retail sales and taxable transactions for the City of Compton and Los Angeles County for 2011 through 2019 (the most recent year for which statistics are available from the California Department of Tax and Fee Administration for the full year).

TABLE 7
CITY OF COMPTON AND LOS ANGELES COUNTY
TOTAL TAXABLE TRANSACTIONS
(in \$ thousands)

<u>Year</u>	<u>City of Compton</u> <u>Taxable Transactions</u>		<u>Los Angeles County</u> <u>Taxable Transactions</u>	
	<u>Retail and Food</u> <u>Services</u>	<u>Other</u>	<u>Retail and Food</u> <u>Services</u>	<u>Other</u>
2011	\$431,816	\$163,755	\$89,251,447	\$37,189,290
2012	462,721	175,894	95,318,603	39,976,979
2013	477,220	200,567	99,641,174	40,438,534
2014	468,242	195,463	104,189,819	43,257,108
2015	497,653	190,645	109,094,980	42,886,760
2016	509,589	206,108	110,944,351	44,211,290
2017	573,835	233,241	114,298,560	45,981,570
2018	591,706	208,643	118,862,036	46,812,318
2019	611,379	165,409	122,444,678	49,868,925

Source: California Department of Tax and Fee Administration, "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 Limited Offering Memorandum, by potential investors.

Installment Sale Payments Constitute Limited Obligations

The obligation of the City to make Installment Sale Payments under the Installment Sale Agreement is a special obligation of the City, payable solely from the Sales Tax 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.

Passive Revenue Source

The payment of principal of and interest on the Bonds is secured solely by a pledge of Installment Sale Payments, which in turn are secured by a pledge by the City of the Sales Tax Receipts, and certain funds held under the Trust Agreement. The City does not have any control over the amount of Sales Tax Receipts to be received by the City because: (i) Measure M Revenues, Measure R Revenues and Proposition C Revenues constitute revenues of MTA derived from a retail transactions and use tax imposed in the County pursuant to the Measure M Ordinance, Measure R Ordinance and Proposition C 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 Sales Tax Receipts will be available in the historical amounts shown in this Limited Offering Memorandum. A decrease in Measure M Revenues, Measure R Revenues and Proposition C Revenues would adversely affect the amount and/or availability of Measure M Receipts, Measure R Receipts and Proposition C Receipts, respectively. In addition, the City must continuously meet certain requirements set forth in the Measure M Ordinance, Measure M Ordinance and Proposition C Ordinance, respectively, in order to be eligible to receive Measure M Revenues, Measure R Revenues and Proposition C Revenues from MTA and apply Measure M Receipts, Measure R Receipts and Proposition C Receipts to pay the Installment Sale Payments. Such requirements include the annual adoption by the City of a resolution approving the City's Five-Year Capital Improvement Plan, compliance by the City with a maintenance of effort requirement, MTA's approval of annual payments on an annual basis and MTA's approval of financed projects. See the captions "MEASURE M, MEASURE R AND PROPOSITION C SALES TAX" and "Non-Compliance with Measure M, Measure R and Proposition C Guidelines" below.

COVID-19 Pandemic

[UPDATE/CONFIRM] [As a part of the State's response to the global outbreak of a novel coronavirus, COVID-19, the Governor of the State (the "Governor") declared a state of emergency in the State on March 4, 2020.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020, the President of the United States declared a national state of emergency.

On March 12, 2020, the Governor issued Executive Order N-25-20, requiring the California Department of Tax and Fee Administration (the "CDTFA"), which administers sales and use taxes in the State, to use its administrative powers where appropriate to provide extensions for filing, payment, audits, billing, notices, assessments, claims for refund, and relief from subsequent penalties and interest to individuals and businesses impacted by complying with a state or local public health official's imposition or recommendation of social distancing measures related to COVID-19. On March 30, 2020, the Governor issued Executive Order N-40-20, which provided a three-month extension for tax returns and tax payments for all businesses filing a return for less than \$1,000,000 in taxes. Such extension remains effective through the reporting of taxes or fees due or the payment of taxes that are due on or before July 31, 2020. This Order also extends the statute of limitations to file a claim for refund for taxes and fees administered by CDTFA, and it extends the timeframe to file for appeal with CDTFA. On April 2, 2020, the Governor announced a one-year reprieve on the payment of sales and use taxes for small businesses allowing them to request to defer payment on up to \$50,000 of sales and use tax liability.

The State, the City, and the County imposed significant restrictions on economic and other activity within the County beginning in March 2020. While some of those restrictions have been lifted, some have been

reimposed. It is unknown when and whether restrictions will continue to be eased or will be reinstated or enhanced.

The economic shut-down caused by the COVID-19 pandemic and related government restrictions on activity materially reduced spending and sales tax revenues collected in the County in the fourth quarter of Fiscal Year 2020. Furthermore, government restrictions and possible future restrictions may affect the collection and administration of sales taxes in the State. Some of the negative impacts that the City has identified include:

- The City expects declines and delays in sales tax revenues in Fiscal Year 2021 due to required business shutdowns and the impact of COVID-19 on the economy, but the City does not know the full fiscal impact that COVID-19 will have on its sales tax revenues. Based on unaudited Fiscal Year 2020 numbers, the City expects Pledged Tax Revenues to be \$[_____] million as compared to \$[_____] million in Fiscal Year 2019.
- As a result of the Governor's executive orders, the City currently expects that the amounts of prepayments and transfers of sales tax revenues from CDTFA will decline and be delayed. Since the Governor's executive order only covers businesses that have sales tax liabilities below specified thresholds, the City has received and expects it will continue to receive some amounts of monthly prepayments and transfers of sales tax revenues from CDTFA but is unable to predict what those amounts will be.
- The City currently believes that despite the negative impacts of COVID-19 on collection of sales tax revenues in the County, there will be sufficient sales tax revenues to pay debt service on all of the City's outstanding sales tax revenue bonds, including the Bonds.

Because the full fiscal impact of COVID-19 cannot be predicted with any degree of certainty, the City is planning for the future using financial scenarios that it has prepared, in [_____] 2020, based on estimates. Given the ongoing uncertainty, City management may revise the scenarios in the future. Percentage declines in sales tax revenues were estimated for the major economic sectors based on the information collected and assumptions about how safer-at-home orders, non-essential business closures and other economic changes would impact each respective major economic sector. These scenarios are not based on any actual economic data but represent efforts to estimate the economic impact without the benefit of any prior historical precedents. The City's scenarios all assume economic contraction in the last two quarters of Fiscal Year 2020 and the first quarter of Fiscal Year 2021 and gradual recovery from the second quarter through the end of the fourth quarter of Fiscal Year 2021. These scenarios assume Revenues for Fiscal Year 2021 to be between [_____] % and [_____] % lower than Revenues shown in the 2019 Financial Statements.

The City anticipates receiving a total of \$[_____] million in funding under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act for Fiscal Year 2020 and Fiscal Year 2021 to partially offset losses in sales tax revenues and other operational and capital costs. Management is also taking various actions to prioritize and reduce costs in addition to seeking other federal and State funding as it becomes available.

The COVID-19 outbreak is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics or vaccinations; (vi) the impact of the outbreak on the local, national or global economy; and (vii) the impact of the outbreak and actions taken in response to the outbreak on the City's revenues, expenses and financial condition.]

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, Measure R Revenues and Proposition C 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, Measure R Revenues and Proposition C 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, Measure R Revenues and Proposition C 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 California Department of Tax and Fee Administration.

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, Measure R Revenues and Proposition C Revenues to the City

The California Department of Tax and Fee Administration administers collection of the Measure M Sales Tax, Measure R Sales Tax and Proposition C Sales Tax. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, the Measure R Sales Tax and the Proposition C Sales Tax, has agreed to remit all Measure M Sales Tax, Measure R Sales Tax and Proposition C Sales Tax revenues to any trustee for MTA Bonds to be secured by Measure M Sales Tax, Measure R Sales Tax or Proposition C Sales Tax, respectively. Such trustee would thereafter immediately disburse the Measure M Local Return, Measure R Local Return and the Proposition C Local Return to the MTA. The Measure M Local Return, Measure R Local Return or the Proposition C Local Return does not serve as security for any MTA Bonds that may be issued. Amounts constituting the Measure M Local Return, Measure R Local Return and the Proposition C Local Return are transferred to the MTA and MTA transfers the Measure M Receipts, Measure R Receipts and Proposition C Receipts to the City as described herein.

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, Measure R Sales Tax or Proposition C Sales Tax will not adversely affect the City's receipt of Measure M Revenues or Measure R Revenues.

Limitations on Use of Measure M Revenues, Measure R Revenues and Proposition C Revenues

Not all of the Measure M Revenues, Measure R Revenues and Proposition C Revenues allocated by MTA to the City may be applied to pay the Installment Sale Payments. Only the Measure M Receipts, Measure R Receipts and Proposition C Receipts may be so applied. See the caption "SOURCES OF PAYMENT FOR

THE BONDS - Measure M Sales Tax,” “- Measure R Sales Tax” and “-Proposition C Sales Tax” for detailed definitions of such terms. Proposition C Receipts are eligible only for the portion of the payment attributable to Proposition C eligible projects. The City believes all projects financed with proceeds of the Bonds are eligible for funding through Measure M Receipts and Measure R Receipts.

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 or the Measure R Ordinance or for purposes of public transit under the Proposition C Ordinance. Only such Measure M Projects are eligible to be financed from Measure M Receipts, only Measure R Projects are eligible to be financed from Measure R Receipts, and only Proposition C Projects are eligible to be financed from Proposition C Receipts. Although the City believes that all of the components of the Projects constitute a Measure M Project, a Measure R Project or a Proposition C Project, as applicable, there can be no assurance as to the continuing eligibility of such Project for MTA’s local streets and roads program or public transit. See the captions “MEASURE M, MEASURE R AND PROPOSITION C SALES TAX - Collection and Allocation of Measure M Revenues,” “- Collection and Allocation of Measure R Revenues,” “- Collection and Allocation of Proposition C Revenues” and “Non-Compliance with Measure M, Measure R and Proposition C Guidelines” below.

Non-Compliance with Measure M, Measure R and Proposition C Guidelines

Measure M Guidelines. In connection with the Measure M Ordinance, MTA, on July 14, 2017, 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 would have a material adverse impact on the City’s ability to pay Installment Sale Payments when due and a material 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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on 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 "Measure M MOE"). If the local agency fails to maintain the Measure M MOE, then such local agency will be required to reimburse its Measure M Sales Tax account with available funds other than Measure M Sales Tax Receipts. The Measure M MOE is \$_____, which the City expects to fund through [_____].[UPDATE]

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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay 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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

The City covenants and agrees in the Installment Sale Agreement to take all actions and make all submittals and filings required to obtain all required approvals from MTA necessary to ensure timely distribution of the Measure M Sales Tax Revenues to the City or relating to the use of the Measure M Sales Tax Revenues to pay Installment Sale Payments, Administration Fees, and otherwise as described under the Installment Sale Agreement.

Measure R Guidelines. In connection with the Measure R Ordinance, MTA, on October 22, 2009, approved guidelines relating to the administration and use of the Measure R Sales Tax (the "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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material 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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay the debt service on the Bonds on a timely basis.

The Measure R 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 R Sales Tax (the "Measure R MOE"). If the local agency fails to maintain the Measure R MOE, then such local agency will be required to reimburse its Measure R Sales Tax account with available funds other than Measure R Sales Tax Receipts. The Measure R MOE is \$_____, which the City expects to fund through [_____].[UPDATE]

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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on 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 would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

The City covenants and agrees in the Installment Sale Agreement to take all actions and make all submittals and filings required to obtain all required approvals from MTA necessary to ensure timely distribution of the Measure R Sales Tax Revenues to the City or relating to the use of the Measure R Sales Tax Revenues to pay Installment Sale Payments, Administration Fees, and otherwise as described under the Installment Sale Agreement.

Proposition C Guidelines. In connection with the Proposition C Ordinance, in Fiscal Year 2006-07, MTA approved guidelines relating to the administration and use of the Proposition C Sales Tax (the “Proposition C Guidelines”). The Proposition C Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Proposition C Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Proposition C Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its “Proposition C Local Return” account with available funds other than Proposition C Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Proposition C Guidelines.

Under the Proposition C Guidelines, the City is required to expend Proposition C Sales Tax monies only on those transportation purposes identified in the Proposition C Guidelines. If the City is found to have expended funds without MTA’s approval, the City will be required to reimburse its Proposition C Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Proposition C Sales Tax was expended on projects that do not meet the Proposition C Guidelines’ definition of transportation purposes, then the MTA has the right to suspend disbursements of Proposition C Sales Tax to the City for a period of three years. If such a suspension were imposed, the City would not receive any Proposition C Sales Tax during the term of the suspension, would have a material adverse impact on the City’s ability to pay Installment Sale Payments when due and a material 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 Proposition C Sales Tax related revenue, including Proposition C Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Proposition C Sales Tax account, could result in the suspension of Proposition C Sales Tax disbursements until the City has demonstrated to MTA that all such Proposition C Sales Tax allocable to the City has been credited to the City’s Proposition C Sales Tax account. If the City fails to properly credit its Proposition C Sales Tax related revenue to its Proposition C Sales Tax account, MTA could suspend the distribution of Proposition C Sales Tax until the City has demonstrated compliance with the Proposition C Guidelines. During the duration of any suspension of Proposition C Sales Tax disbursements, the City would not be receiving Proposition C Receipts, which would have a material adverse impact on the City’s ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay the debt service on the Bonds on a timely basis.

The Proposition C 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 Proposition C Sales Tax (the “Proposition C MOE”). If the local agency fails to maintain the Proposition C MOE, then such local agency will be required to reimburse its Proposition C Sales Tax account with available funds other than Proposition C Sales Tax Receipts. The Proposition C MOE is \$_____, which the City expects to fund through [_____].[UPDATE]

The City is required to expend Proposition C 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 Proposition C Sales Tax allocated to the City, the City is required to return the lapsed Proposition C 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 Proposition C Sales Tax.

The Proposition C Guidelines additionally require that the City annually submit an expenditure plan and an expenditure report to MTA to remain legally eligible to receive Proposition C Sales Tax. If the City fails to submit these items to MTA, the City may be determined to be legally ineligible to receive Proposition C Sales Tax. During any period when the City is not legally eligible to receive Proposition C Sales Tax, the City would not be receiving Proposition C Receipts, which would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay the debt service on the Bonds.

The Proposition C Guidelines also give MTA the right to suspend or revoke allocation to local agencies that are found to be in gross violation of the Proposition C Guidelines, or repeatedly committing violations, or refusing to take corrective measures. During the duration of any suspension of Proposition C Sales Tax disbursements or revocation of Proposition C Sales Tax allocation, the City would not be receiving Proposition C Receipts, which would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the Authority to pay debt service on the Bonds on a timely basis.

The City covenants and agrees in the Installment Sale Agreement to take all actions and make all submittals and filings required to obtain all required approvals from MTA necessary to ensure timely distribution of the Proposition C Sales Tax Revenues to the City or relating to the use of the Proposition C Sales Tax Revenues to pay Installment Sale Payments, Administration Fees, and otherwise as described under the Installment Sale Agreement.

Parity Obligations

Subject to certain restrictions, the City is permitted to incur Parity Obligations that constitute additional charges against the Measure M Receipts, Measure R Receipts and Proposition C 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 Sale Payments may be decreased. In addition, the City may execute Parity Obligations to refund any outstanding Parity Obligations, subject to annual debt service savings requirements under the Trust Agreement.

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 Trust Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of 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 Sale 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 Sale Payments in whole or in part pursuant to the provisions of the Installment Sale Agreement and the Trust Agreement. 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 Trust Agreement 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.

See "TAX MATTERS" for additional tax-related risks.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service ("Service") 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 Service 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.

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.

Restrictions on Transfer

Pursuant to the Trust Agreement and prior to the initial delivery of the Bonds, all purchasers of the Bonds will be required to execute an investor letter, the form of which is attached hereto as Appendix F. The Investor Letter and the Trust Agreement contain restrictions on transfer and exchange of the Bonds, including that Bonds may only be sold to Qualified Institutional Buyers [or Accredited Investors]. The Trust Agreement, Installment Sale Agreement and the Investor Letter should be reviewed carefully prior to making an investment in the Bonds.

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

Proposition 218

In 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the California State Constitution. Among other things, Article XIIC removes limitations, if any, that exist on the initiative power in matters of local taxes, assessments, fees and charges. Even though the Authority’s enabling legislation did not limit the initiative power of the electorate prior to Proposition 218, Proposition 218 has affirmed the right of the voters to propose initiatives that could impact the Measure M Receipts, Measure R Receipts and Proposition C Receipts.

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, Measure R Sales Tax or Proposition C Sales Tax, all of which could adversely impact the amount of Measure M Receipts, Measure R Receipts or Proposition C Receipts received by the City.

TAX MATTERS

General Matters. In the opinion of Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson, & Rauth, P.C., Newport Beach, California, Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is excludable from federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with such requirements. Co-Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Co-Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Co-Bond Counsel also is of the opinion that, under existing law, interest on the Bonds is exempt from State of California personal income taxes. Ownership of the Bonds or interest thereon may be subject to state or local taxation in jurisdictions other than the State of California under applicable state or local laws, as to which Co-Bond Counsel expresses no opinion. Each prospective investor and purchaser of the Bonds should consult its, his or her own tax advisor regarding the status of the interest on the Bonds in a particular state or local jurisdiction other than California.

Original Issue Discount. The Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Discount Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as federally tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such Discount Bonds for a price that is higher or lower than the “adjusted issue price” of the Discount Bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is

reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fail to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Co-Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Trust Agreement, 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 Trust Agreement, 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

Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California as Co-Bond Counsel, will render an opinion with respect to the validity and enforceability of the Trust Agreement and the Installment Sale Agreement, and as to the validity of the Bonds. See “APPENDIX D” hereto for the proposed form of Co-Bond Counsel’s opinion.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Trust Agreement, 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 Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California as Co-Disclosure Counsel and by the City Attorney. Fees payable to Co-Bond Counsel and Co-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 Trust Agreement, the Installment Sale Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Trust Agreement and the Installment Sale Agreement are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof.

There are 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 Sale Payments when due.

CONCLUDING INFORMATION

Rating on the Bonds

S&P Global Ratings (“S&P”) has assigned a rating of “___” to the Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating 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 rating may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Agreement, 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 an 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 Raymond James & Associates, Inc. (the “Underwriter”).

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 Underwriter will initially offer the Bonds for sale at the prices and yields set forth on the inside cover page of this Limited Offering Memorandum. Such prices or yields may subsequently change. The Underwriter reserves 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.

Financial Statements

The City’s financial statements for the Fiscal Year ended June 30, 2019, included in APPENDIX B hereto, have been audited by Eadie and Payne LLP, Riverside, California (the “Auditor”). The Auditor was not requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Limited Offering Memorandum, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

The Municipal Advisor

Willdan Financial Services, Temecula California, has served as municipal advisor (the “Municipal Advisor”) to the Authority in connection with the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Limited Offering Memorandum. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Continuing Disclosure

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The City will covenant for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events.

Pursuant to a Continuing Disclosure Agreement, dated as of _____ 1, 2021 (the “Continuing Disclosure Agreement”), by and between the City and Willdan Financial Services, as dissemination agent, the City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the “Annual Report”) no later than

March 31 of each year, commencing March 31, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City or its dissemination agent with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in “APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

Prior Undertakings. During the past five years, [TO COME]

Additional Information

The summaries and references contained herein with respect to the Trust Agreement, 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 Trust Agreement. Copies of the Trust Agreement and the Installment Sale Agreement may be obtained after delivery of the Bonds from the City at 205 South Willowbrook Avenue, Compton, CA 90220.

References

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

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Execution

The execution of this Limited Offering Memorandum 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, respectively.

INDEPENDENT CITIES FINANCE AUTHORITY

By: _____
Executive Director

CITY OF COMPTON

By: _____
City Manager

APPENDIX A-1
FORM OF TRUST AGREEMENT

APPENDIX A-2
FORM OF INSTALLMENT SALE AGREEMENT

APPENDIX B
CITY AUDITED FINANCIAL STATEMENTS

APPENDIX C
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX D
FORM OF OPINION OF 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

FORM OF INVESTOR LETTER

Independent Cities Finance Authority
Lancaster, California

City of Compton
Compton, California

Raymond James & Associates, Inc.
Pasadena, California

Re: \$ _____ INDEPENDENT CITIES FINANCE AUTHORITY
 (CITY OF COMPTON, CALIFORNIA)
 SALES TAX REVENUE BONDS, SERIES 2021

To the Addressees:

The undersigned is a duly authorized officer of _____, a [state/federal bank] organized and existing under the laws of the [State of STATE/United States of America] (the “Purchaser”). The undersigned acknowledges receipt, on behalf of Purchaser, of the fully executed Independent Cities Finance Authority (City of Compton, California) Sales Tax Revenue Bonds, Series 2021, dated _____, 2021, in the principal amount of \$ _____ (the “Bonds”). The undersigned represents, warrants, and covenants in conjunction with its purchase of the Bonds that:

- 1) Purchaser agrees to the terms and provisions set forth in the Bonds.
- 2) Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of prospective investments without reliance upon others. In reaching the conclusion that it desires to acquire the Bonds, Purchaser has carefully evaluated all risks associated with this purchase and acknowledges that it is able to bear the economic risk of this purchase. Purchaser is [an institutional “accredited investor” within the meaning of Rule 501 (a) promulgated under the Securities Act of 1933, as amended (the “1933 Act”)]/[a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”)].
- 3) Purchaser presently intends to hold the Bonds to maturity, earlier redemption, or mandatory tender. [The preceding sentence is absolutely necessary unless the Bonds will have CUSIPs.] Purchaser is purchasing the Bonds for investment for its own account or for its loan portfolio and is not purchasing the Bonds for resale or other disposition, and Purchaser has no present intention of reselling or otherwise disposing of all or any part of the Bonds or dividing its interest therein; however, Purchaser reserves the right to sell participation interests in or otherwise dispose of the Bonds in the future as it chooses. Purchaser agrees that it will not sell, transfer, assign, or otherwise dispose of the Bonds or such ownership interests therein (1) unless it obtains from the purchaser and delivers to the Issuer either (a) a letter similar in form and substance to this letter, or (b) a written acknowledgement that such purchaser is either (i) an institutional “accredited investor” within the meaning of Rule 501 (a) promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or (ii) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act; and (2) except in compliance with the applicable provisions of the 1933 Act, the Securities Exchange Act of 1934, as amended (the “1934 Act”), any rules and regulations

promulgated under either the 1933 Act or the 1934 Act, and the applicable securities laws of any other jurisdiction, and in connection therewith, Purchaser agrees that it shall furnish to any purchaser of the Bonds all information required by applicable law.

4. The Purchaser (a) is a bank, any entity directly or indirectly controlled by the bank or under common control with the bank, other than a broker, dealer or municipal securities dealer registered under the Securities Exchange Act of 1934, or a consortium of such entities; and (b) has the present intent to hold the Bonds to maturity; provided, however, that the Purchaser shall not be precluded from transferring, participating or assigning its interest in the Bonds in accordance with the terms and conditions set forth in the Trust Agreement. The Purchaser understands that it may need to bear the risks of this investment for an indefinite period of time, since a sale of the Bonds, or any portion thereof, may not be possible. The Purchaser is not participating, directly or indirectly, in a distribution of the Bonds and will not take, or cause to be taken, any action that would cause the Purchaser to be deemed an “underwriter” of such Bonds as defined in Section 2(a)(11) of the Act. The Purchaser understands that the Issuer has no obligation to register the Bonds for resale under the Act. The Purchaser further understands that the Bonds are being sold in a transaction that is exempt from the registration requirements of the Act. The Purchaser acknowledges that the City will not be entering into a continuing disclosure undertaking for the Bonds pursuant to Section 15c2-12 of the Securities Exchange Act of 1934, as amended; provided, however, that the City has agreed in the Continuing Disclosure Agreement dated as of _____ 1, 2021, between the City and Willdan Financial Services, to provide certain ongoing information to the Purchaser.

5. The Purchaser has received and carefully read all information and other items of disclosure relating to the City, the Issuer, and the Bonds that the Purchaser has deemed material for it to make an informed lending decision with respect to its purchase of the Bonds and, in connection therewith, has had access to all other materials, books, records, documents, and information relating to the City, the Issuer, and the Bonds, and has been able to verify the accuracy of, and supplement, the information contained therein.

6. The Purchaser acknowledges that it has been supplied with the Limited Offering Memorandum dated as of _____, 2021, relating to the Bonds (the “Limited Offering Memorandum”). The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of making a loan of the proceeds of the Bonds based solely upon (i) the Limited Offering Memorandum, (ii) its or such representative’s personal knowledge of the business and affairs of the City; and (iii) the independent inquiries and investigations undertaken by it or such representative.

7. The Purchaser represents that it can bear the economic risk of loss of the Bonds.

8. No person has given any information or made any representation not contained in the Limited Offering Memorandum referred to above or otherwise provided to the Purchaser in writing by a person employed or authorized in writing by the Successor Agency. The Purchaser understands and agrees that any information or representation not contained therein must not, and will not, be relied upon and that nothing contained therein should be construed as legal or tax advice to the Purchaser.

9. The signatory of this letter is a duly authorized officer of the Purchaser with the authority to sign this letter on behalf of the Purchaser, and this letter has been duly authorized, executed, and delivered by the Purchaser.

10. The Purchaser understands that the purchase of the Bonds involves significant credit risks. The Purchaser is aware that there are certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Purchaser has reviewed the documents executed in conjunction with the issuance of Bonds, or summaries thereof, including, without limitation, the Indenture.

11. The Purchaser acknowledges and agrees that the Underwriter, the Issuer, and the City take no responsibility for, and make no representation to the Purchaser, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bond in violation of the provisions of the Trust Agreement, or any securities law or income tax law consequences thereof. The Purchaser also acknowledges that, with respect to the City's obligations and liabilities, the Purchaser is solely responsible for compliance with the sales restrictions on the Bond in connection with any subsequent transfer of the Bonds made by the Purchaser.

12. The Purchaser has been informed that the Bonds [(i)] have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange [and (iii) will carry no rating from any rating service.]

13. The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addresses hereto.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Trust Agreement.

Signed and delivered as of the date shown above.

Sincerely yours,

PURCHASER FULL CORPORATE NAME

Signed by: _____

Print Name: _____

Print Title: _____