
PAYING AGENT AGREEMENT

by and between

CITY OF HERMOSA BEACH

and

**THE FINANCE MANAGER OF THE CITY OF HERMOSA BEACH,
as Paying Agent**

Dated as of August 1, 2025

Relating to:

**\$ _____
City of Hermosa Beach
Greenwich Village North Underground Utilities Assessment District
Limited Obligation Improvement Bonds**

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EXHIBIT A FORM OF ASSESSMENT BOND

PAYING AGENT AGREEMENT

THIS PAYING AGENT AGREEMENT (the "Agreement") is made and entered into and dated as of August 1, 2025 by and between the CITY OF HERMOSA BEACH, a general law city and a political subdivision of the State of California (the "City") and the FINANCE MANAGER OF THE CITY OF HERMOSA BEACH, as paying agent (the "Paying Agent"),

W I T N E S S E T H:

WHEREAS, On July 23, 2019, the City Council (the "City Council") of the City of Hermosa Beach (the "City"), County of Los Angeles (the "County"), State of California, adopted its Resolution No. 19-7203 entitled "A Resolution of the City Council of the City of Hermosa Beach of Intention to Make Acquisitions and Improvements for the Proposed Greenwich Village North Underground Utilities Assessment District" (the "Resolution of Intention"), under the Municipal Improvement Act of 1913, Division 12 of the Streets and Highways Code of California (the "Act"), to initiate proceedings under the Act in and for the City's proposed "Greenwich Village North Underground Utilities Assessment District" (the "Assessment District") for the purpose of undergrounding utilities serving the Assessment District, as described in the Resolution of Intention (the "Project").

WHEREAS, by the Resolution of Intention, the City Council provided that improvement bonds would be issued thereunder pursuant to the Improvement Bond Act of 1915, Division 10 of the California Streets and Highways Code (the "Bond Law") and reference to the Resolution of Intention is hereby expressly made for further particulars.

WHEREAS, notice of recordation of the assessment and the opportunity to pay all or a portion thereof was published and mailed in the manner required by law, and the time so provided for receiving payments of assessments in cash has expired and there is on file with the Finance Manager a list of all assessments that remain unpaid.

WHEREAS, in order to finance the costs of the Project, this City Council now intends to provide for the issuance of a series of improvement bonds upon the security of such unpaid assessments, and on July 22, 2025, the City Council adopted its Resolution No. _____ (the "Resolution of Issuance"), which, among other things, authorized the issuance of the City's bonds captioned "City of Hermosa Beach Greenwich Village North Underground Utilities Assessment District Limited Obligation Improvement Bonds" (the "Assessment Bonds").

WHEREAS, the City has determined that it is in the public interest and for the benefit of the City, the persons responsible for the payment of assessments and the owners of the Assessment Bonds that the City enter into this Paying Agent Agreement to provide for the issuance of the Assessment Bonds, the disbursement of proceeds of the Assessment Bonds, the disposition of the assessments securing the Assessment Bonds, and the administration and payment of the Assessment Bonds.

WHEREAS, the City desires to sell the Assessment Bonds in a private placement to _____ (the "Original Purchaser").

WHEREAS, the City has determined that all things necessary to cause the Assessment Bonds, when authenticated and issued as provided in the Act and this Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Assessment Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Act, the Bond Law and the Resolution of Issuance.

Section 1.02. Agreement for Benefit of Assessment Bond Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the registered owners of the Assessment Bonds. All of the Assessment Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Assessment Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement (as herein defined), and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to Articles, Sections and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"*Act*" means the Municipal Improvement Act of 1913, Division 12 of the California Streets and Highways Code.

"*Agreement*" means this Paying Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement executed pursuant to the provisions hereof.

"*Assessment Bond*" or "*Assessment Bonds*" means the bonds captioned "City of Hermosa Beach Greenwich Village North Underground Utilities Assessment District Limited Obligation Improvement Bonds" at any time Outstanding under this Agreement or any Supplemental Agreement.

"*Assessments*" means the unpaid assessments levied within the District by the City Council under the proceedings taken pursuant to the Act and the Resolution of Intention.

"*Auditor*" means the auditor/controller or tax collector of the County, or such other official of the County who is responsible for preparing real property tax bills.

"*Authorized Investments*" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services

Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks, provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each such Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations rated A or better by any Rating Agency that are issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000;

(h) money market funds which invest in Federal Securities or which are rated in the highest rating category by any Rating Agency;

(i) any investment agreement, repurchase agreement or other investment instrument which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of the delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any Rating Agency; and

(j) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

“Authorized Officer” means the Mayor, City Manager, Finance Manager, and any other City officer or employee as may be designated by any of the foregoing officers to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means Jones Hall LLP, or any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Law” means the Improvement Bond Act of 1915, as amended, Division 10 of the California Streets and Highways Code.

“Bond Register” means the books maintained by the Paying Agent pursuant to Section 2.08 for the registration and transfer of ownership of the Assessment Bonds.

“Bond Year” means the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that (i) the first Bond Year shall begin on the Closing Date and end on the next September 2, and (ii) the last Bond Year may end on a prior redemption date of all the Outstanding Assessment Bonds.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in California are authorized or obligated by law or executive order to be closed.

“City” means the City of Hermosa Beach, and any successor thereto.

“City Attorney” means the City Attorney of the City or other designated counsel to the City with respect to the District.

“City Council” means the City Council as the legislative body of the City.

“Clerk” means the City Clerk or Deputy City Clerk of the City.

“Closing Date” means _____, 2025, the date upon which there is a physical delivery of the Assessment Bonds in exchange for the amount representing the purchase price of the Assessment Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Assessment Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Assessment Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“County” means the County of Los Angeles, State of California.

“Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Assessment Bonds in such Bond Year, assuming that the Outstanding Assessment Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Assessment Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“District” means the area within the City designated “Greenwich Village North Underground Utilities Assessment District” created in proceedings under the Act and the Resolution of Intention.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date

the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if

(i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code,

(ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code,

(iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or

(iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the City:

(i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as stripped obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Finance Manager" means the Finance Manager of the City, or any successor officer of the City serving as its chief financial officer, or designee thereof.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (i) is in fact independent and not under the domination of the City;
- (ii) does not have any substantial interest, direct or indirect, in the City; and
- (iii) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Interest Payment Dates” means March 2 and September 2 of each year, commencing March 2, 2026.

“List of Unpaid Assessments” means the list on file with the Finance Manager showing the amounts of the Assessments upon each of the parcels in the District.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Original Purchaser” means _____, as the first purchaser of the Assessment Bonds from the City.

“Outstanding” when used as of any particular time with reference to Assessment Bonds, means, subject to the provisions of Section 8.04, all Assessment Bonds except:

- (i) Assessment Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;
- (ii) Assessment Bonds paid or deemed to have been paid within the meaning of Section 9.03;
- (iii) Assessment Bonds in lieu of or in substitution for which other Assessment Bonds have been authorized, executed, issued and delivered by the City pursuant to this Agreement or any Supplemental Agreement.

“Owner” or *“Bond Owner”* means the registered owner of any Outstanding Assessment Bond as shown on the Bond Register of the Paying Agent under Section 2.08 hereof.

“Paying Agent” means the Finance Manager, and any corporation or association which may at any time be substituted in his or her place, as provided in Section 7.01 hereof.

“Prepayment Account” means the account within the Redemption Fund established and administered under Section 4.03 hereof.

“Principal Office” means the office of the Paying Agent in the City, or the corporate trust office of any successor Paying Agent as shall be specified in a written notice by the Paying Agent to the City under Section 9.06 hereof or such other office of the Paying Agent designated for payment, transfer or exchange of the Assessment Bonds.

“Project” means, collectively, the acquisitions and improvements described in the Resolution of Intention and funded with all or a portion of the proceeds of the Assessment Bonds.

“Rating Agency” means, individually, either (a) Moody’s Investors Service, Inc., its successors and assigns, or (b) S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and assigns.

“Record Date” means the 15th day of the calendar month immediately preceding the applicable Interest Payment Date.

“Redemption Fund” means the fund by that name established and administered under Section 4.03 hereof.

“Reserve Fund” means the fund by that name established and administered under Section 4.04 hereof.

“Reserve Requirement” means \$_____.

“Resolution of Intention” means Resolution No. 19-7203, adopted by the City Council on July 23, 2019.

“Resolution of Issuance” means Resolution No. _____, adopted by the City Council on _____, 2025.

“Supplemental Agreement” means an agreement amendatory of or supplemental to this Agreement, the execution of which is authorized by a resolution duly adopted by the City Council of the City under the Bond Law, but only if and to the extent that such agreement is specifically authorized hereunder.

ARTICLE II

THE ASSESSMENT BONDS

Section 2.01. Assessment Bonds Issued. The Assessment Bonds in the aggregate principal amount of \$_____ are hereby authorized to be issued by the City under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California. The Assessment Bonds shall be secured by the Assessments and moneys in the Redemption Fund.

Section 2.02. Terms of Assessment Bonds.

(A) *Denominations.* The Assessment Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$0.01 or any integral multiple thereof. Bonds shall be lettered and numbered in a customary manner as determined by the Paying Agent.

(B) *Date of Assessment Bonds.* The Assessment Bonds shall be dated the Closing Date.

(C) [Reserved]

(D) *Maturities.* The Assessment Bonds shall initially be issued as a single term Assessment Bond, in the principal amount of, maturing in the year, and bearing interest at the rate per annum as follows:

<u>Year Ending</u> <u>September 2</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
20__	\$_____	_____%

(E) *Interest.* The Assessment Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Assessment Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated and registered as of an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

(F) *Method of Payment.* Interest on the Assessment Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Paying Agent mailed by first class mail on the Interest Payment Date to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register maintained by the Paying Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Assessment Bonds delivered to the Paying Agent prior to the applicable Record Date.

The principal of the Assessment Bonds is payable in lawful money of the United States of America.

All Assessment Bonds paid by the Paying Agent under this Section shall be canceled by the Paying Agent. The Paying Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Assessment Bonds to the City.

Section 2.03. Redemption.

(A) *General.*

(i) Optional Redemption. The Assessment Bonds may be redeemed prior to maturity, in whole or in part, at the option of the City beginning on September 2, 20__, and on any Interest Payment Date thereafter, from any source of available funds, at a redemption price equal to the principal amount of the Assessment Bonds to be optionally redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(ii) Extraordinary Redemption From Prepayment of Assessments. The Assessment Bonds are subject to extraordinary redemption prior to their stated maturities, as a whole or in part on a pro rata basis among maturities, from amounts deposited in the Prepayment Account of the Redemption Fund as a result of the prepayment of Assessments, on any Interest Payment Date, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) plus with accrued interest to the date of redemption, as follows, all in the manner and as provided in the Bond Law:

<u>Redemption Date</u>	<u>Redemption Price</u>
Interest Payment Dates through September 2, 20__	___%
March 2, 20__, and September 2, 20__	___
March 2, 20__, and September 2, 20__	___
March 2, 20__, and September 2, 20__	___
March 2, 20__, and Interest Payments Dates thereafter	___

(iii) Mandatory Sinking Payment Redemption. The Assessment Bonds are subject to mandatory redemption in part by lot from sinking payments made by the City at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, in the aggregate respective principal amounts and on the dates as set forth in the following schedule.

<u>Sinking Payment</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
<u>(September 2)</u>	<u>To Be Redeemed</u>

20__ (maturity)

However, in the event of a partial redemption of Assessment Bonds through optional redemption under Section 2.03(A)(i), the mandatory sinking payments set forth above will be reduced on a pro-rata basis in integral multiples of \$0.01 as determined by the Paying Agent.

However, in the event of a partial redemption of Assessment Bonds through extraordinary redemption from Assessment prepayments under Section 2.03(A)(ii), the mandatory sinking payments set forth above will be reduced in inverse order of maturity or from such maturities as are selected by the City, in integral multiples of \$0.01 as determined by the Paying Agent.

(iv) Governing Law. The provisions of Part 11.1 of the Bond Law are applicable to the optional and extraordinary redemption of the Assessment Bonds, and the advance payment of Assessments.

(B) *Reserved.*

(C) *Redemption Procedure by Paying Agent.*

(i) Mailing of Notice. The Paying Agent shall cause notice of any redemption to be given by registered or certified mail or by personal service to the Owners of any Assessment Bonds designated for redemption, at their addresses appearing on the Bond Register in the Principal Office of the Paying Agent, with a copy to the City. Failure to so mail any notice of redemption, or of any person or entity to receive any such notice, or any defect in any notice of redemption, shall not affect the validity of the proceeding for the redemption of such Assessment Bonds.

(ii) Contents of Notice. Such notice shall state the following:

(1) the redemption date,

(2) the redemption price,

(3) if less than all of the then Outstanding Assessment Bonds are to be called for redemption, the Bond numbers of the Assessment Bonds to be redeemed (by designating the individual Bond number of each Assessment Bond to be redeemed or by stating that all Assessment Bonds between two designated Bond numbers, both inclusive, are to be redeemed) or that all of the Assessment Bonds of one or more maturities have been called for redemption,

(4) as to any Assessment Bond called in part, the principal amount thereof to be redeemed, and

(5) that such Assessment Bonds must be then surrendered at the Principal Office of the Paying Agent for redemption at the redemption price, and

(6) that further interest on the Assessment Bonds (or portion thereof) called for redemption will not accrue from and after the redemption date.

(iii) Rescission of Redemption. The City may rescind any optional or extraordinary redemption under subsection (A)(i) or (ii) above by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason insufficient funds are on deposit in the Redemption Fund 5 days prior to the redemption date, and such cancellation shall not constitute an Event of Default hereunder. The Paying Agent shall mail or deliver notice of rescission of redemption in the same manner notice of redemption was originally provided.

(iv) Identification of Assessment Bonds Redeemed. Upon the payment of the redemption price of Assessment Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the number identifying, by issue and maturity, the Assessment Bonds being redeemed with the proceeds of such check or other transfer.

(v) Redemption of Assessment Bonds in Part. Upon surrender of Assessment Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Assessment Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(vi) Cancellation of Assessment Bonds Redeemed. All Assessment Bonds redeemed by the Paying Agent pursuant to this Section 2.03 shall be canceled by the Paying Agent. The Paying Agent shall destroy the canceled

Bonds and, upon request of the City, issue a certificate of destruction of such Assessment Bonds to the City.

(vii) Redemption Procedure While Bond Owned by Original Purchaser. Notwithstanding the foregoing, while all of the Assessment Bonds are owned by the Original Purchaser, the Original Purchaser may waive any or all of the provisions of this subsection (C).

(D) *Effect of Redemption.* From and after the date fixed for redemption, if funds available for the payment of the principal of (including sinking payments) and interest and premium, if any, on the Assessment Bonds so called for redemption have been deposited in the Redemption Fund on the date fixed for redemption, such Assessment Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

Section 2.04. Form of Assessment Bonds. The Assessment Bonds, the form of Paying Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Bond Law.

Section 2.05. Execution of Assessment Bonds. The Assessment Bonds shall be executed on behalf of the City by the facsimile signatures of the City Manager and the Clerk who are in office on the Closing Date. If any officer whose signature appears on any Assessment Bond ceases to be such officer before delivery of the Assessment Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Assessment Bonds to the Owner. Any Assessment Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Assessment Bond shall be the proper officers of the City although at the nominal date of such Assessment Bond any such person shall not have been such officer of the City. Only such Assessment Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit B, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Paying Agent shall be conclusive evidence that the Assessment Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Assessment Bonds. Any Assessment Bond may, in accordance with its terms, be transferred, upon the Bond Register under Section 2.08 hereof by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Assessment Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Paying Agent. The cost for any services rendered or any expenses incurred by the Paying Agent in connection with any such transfer shall be paid by the City. The Paying Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Assessment Bond or Bonds shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver a new Assessment Bond or Bonds, for like aggregate principal amount(s), maturity(ies) and interest rate(s) in the denominations herein authorized. Neither the City nor the Paying Agent shall be required to make such transfer of Assessment Bonds on or after a Record Date and before the next ensuing Interest Payment Date.

Section 2.07. Exchange of Assessment Bonds. Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Assessment Bonds of authorized denominations and of the same maturity. In furtherance of the foregoing, any Assessment Bond may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of one or more new Assessment Bonds of authorized denominations, issued as serial Assessment Bonds and/or term Assessment Bonds, so long as the final maturity of at least one such serial and/or term Assessment Bonds corresponds to the final maturity of the term Assessment Bond so exchanged. The cost for any services rendered or any expenses incurred by the Paying Agent in connection with any such exchange shall be paid by the City. The Paying Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange. Neither the City nor the Paying Agent shall be required to make such exchange of Assessment Bonds after a Record Date and before the next ensuing Interest Payment Date.

Section 2.08. Bond Register. The Paying Agent will keep, or cause to be kept, at its Principal Office, the Bond Register, which shall constitute the books for the registration and transfer of the Assessment Bonds, shall show the series number, date, maturity amount, rate of interest and last registered Owner of each Assessment Bond, and shall at all times be open to inspection by the City during regular business hours on any Business Day, upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Bond Register, the ownership of the Assessment Bonds as hereinbefore provided.

Section 2.09. Temporary Assessment Bonds. The Assessment Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City and authenticated by the Paying Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Paying Agent or at such other location as the Paying Agent shall designate, and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Agreement as definitive bonds authenticated and delivered hereunder.

Section 2.10. Assessment Bonds Mutilated, Lost, Destroyed or Stolen. If any Assessment Bond becomes mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall authenticate and deliver, a new Assessment Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and destroyed by the Paying Agent who shall, upon request of the City, deliver a certificate of destruction thereof to the City.

If any Assessment Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence be satisfactory to the Paying Agent and indemnity satisfactory to the Paying Agent and the City shall be given, the City, at the expense of the Owner, shall execute, and the Paying Agent shall authenticate and deliver, a new

Assessment Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The City may require payment of a sum not exceeding the actual cost of preparing each new Assessment Bond delivered under this Section 2.10 and of the expenses which may be incurred by the City and the Paying Agent for the preparation, execution, authentication and delivery. Any Assessment Bond delivered under the provisions of this Section in lieu of any Assessment Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

ARTICLE III

ISSUANCE OF ASSESSMENT BONDS

Section 3.01. Issuance and Delivery of Assessment Bonds. At any time after the execution of this Agreement, the City may issue the Assessment Bonds in the aggregate principal amount set forth in Section 2.01 hereof and deliver the Assessment Bonds to the Original Purchaser. Pursuant to the Resolution of Issuance, the Authorized Officers of the City are authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Assessment Bonds in accordance with the provisions of the Act, the Bond Law, the Resolution of Issuance and this Agreement, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Assessment Bonds to the Original Purchaser.

Section 3.02 . Validity of Assessment Bonds. The validity of the authorization and issuance of the Assessment Bonds shall not be dependent upon the completion of public improvements or upon the performance by any person of such person's obligation with respect to the public improvements.

Section 3.03. Pledge of Assessments and Funds. The Assessment Bonds shall be secured by a first pledge (which shall be effected in the manner and to the extent herein provided) of all of the Assessments and all moneys deposited in the Redemption Fund and the Reserve Fund. The Assessments and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of (including sinking payments) and interest and premium, if any, on the Assessment Bonds as provided herein and in the Bond Law until all of the Assessment Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03 hereof.

Section 3.04. Limited Obligation. All obligations of the City under this Agreement and the Assessment Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Assessments and the funds pledged therefore hereunder. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of the Assessment Bonds.

The Assessment Bonds are "Limited Obligation Improvement Bonds" within the meaning of section 8769 of the Bond Law and are payable solely from and secured solely by the Assessments and the amounts in the Redemption Fund and Reserve Fund created hereunder. Notwithstanding any other provision of this Agreement, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund.

Section 3.05. No Acceleration. The principal of the Assessment Bonds shall not be subject to acceleration hereunder. Nothing in this Section 3.05 shall in any way prohibit the redemption of Assessment Bonds under Section 2.03 hereof, or the defeasance of the Assessment Bonds and discharge of this Agreement under Section 9.03 hereof.

Section 3.06. Refunding of Assessment Bonds. The Assessment Bonds may be refunded by the City pursuant to Divisions 11 or 11.5 of the California Streets and Highways Code upon the conditions as set forth in appropriate proceedings therefor. This Section shall not apply to or in any manner limit advancement of the maturity of any of the Assessment Bonds as provided in

Parts 8, 9, 11, or 11.1 of the Bond Law, nor shall this Section apply to or in any manner limit the redemption and payment of any Assessment Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Assessments.

ARTICLE IV
FUNDS AND ACCOUNTS

Section 4.01. Deposit of Assessment Bond Proceeds. The net proceeds received from the Original Purchaser in consideration of the purchase of the Assessment Bonds by the Original Purchaser, in the amount of \$_____ (which represents the par amount of the Assessment Bonds, without premium or discount) shall be transferred by the Original Purchaser to the Paying Agent, who shall deposit such proceeds on the Closing Date as follows:

(A) deposit \$_____ into the Reserve Fund, equaling the Reserve Requirement; and

(B) deposit \$_____ into the Improvement Fund.

Section 4.02. Improvement Fund.

(A) *Establishment of Improvement Fund.* The Improvement Fund is hereby established as a separate fund to be held by the Finance Manager for the benefit of the City, and shall be funded with the proceeds of the Assessment Bonds in accordance with Section 4.01. Moneys in the Improvement Fund shall be held by the Finance Manager, and shall be disbursed, except as otherwise provided in subsection (D) below, for the payment or reimbursement of costs of the Project.

(B) *Disbursement.* Disbursements from the Improvement Fund shall be made by the Finance Manager upon receipt of an Officer's Certificate, which:

(i) sets forth the amount required to be disbursed, the purpose for which the disbursement is to be made, the person to which the disbursement is to be paid and state that such disbursement is for a Project cost; and

(ii) certifies that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed requesting disbursement.

(C) *Investment.* Moneys in the Improvement Fund shall be invested and deposited under Section 6.01 hereof. Interest earnings and profits from such investment and deposit shall be retained in the Improvement Fund to be used for the purposes of such fund.

(D) *Closing of Fund.* Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Finance Manager shall transfer the amount, if any, remaining in the Improvement Fund as directed in the Officer's Certificate, which shall be in accordance with the Resolution of Intention and to the applicable provisions of the Act, and the Improvement Fund shall be closed.

Section 4.03. Redemption Fund.

(A) *Establishment of Redemption Fund.* The Redemption Fund is hereby established as a separate fund to be held by the Paying Agent to the credit of which deposits shall be made as required by this Agreement or the Bond Law. Moneys in the Redemption Fund shall be held by the Paying Agent for the benefit of the City and the Owners of the Assessment Bonds, and shall be disbursed for the payment of the principal of (including sinking payments) and interest on the Assessment Bonds as provided below.

Within the Redemption Fund there is hereby established the Prepayment Account, which shall be used exclusively for the administration of any prepayments of Assessments pursuant to Section 8767 of the Bond Law to assure the timely redemption of Assessment Bonds. If all of the Assessments are prepaid in full, the Prepayment Account shall be closed.

(B) *Disbursements.* On or before each Interest Payment Date, the Paying Agent shall withdraw from the Redemption Fund for payment to the Owners of the Assessment Bonds the principal of (including sinking payments) and interest then due and payable on the Assessment Bonds.

If there are insufficient funds in the Redemption Fund to make the payments provided for in the foregoing sentence, the Paying Agent shall transfer from the Reserve Fund to the extent of any funds therein the amount of such insufficiency to the Redemption Fund. Amounts so transferred from the Reserve Fund and deposited in the Redemption Fund shall be applied to the payment of the Assessment Bonds.

If, after the foregoing transfers, there are insufficient funds in the Redemption Fund to pay to the Owners of the Assessment Bonds the principal of (including sinking payments), and interest then due and payable on the Bonds, the Paying Agent shall apply the available funds first to the payment of interest on the Assessment Bonds, then to the payment of principal due on the Assessment Bonds, and then to payment of principal due on the Assessment Bonds by reason of Assessment Bonds called for redemption pursuant to Section 2.03(A)(i) hereof.

The Paying Agent shall deposit in the Prepayment Account all monies received from the City representing the principal of and redemption premium on any prepaid Assessments; such monies shall be applied solely to the payment of principal of and premium and interest on the Assessment Bonds to be redeemed prior to maturity pursuant to Section 2.03(A)(ii) hereof, as directed by an Authorized Representative of the City.

(C) *Investment.* Moneys in the Redemption Fund (and the accounts therein) shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Redemption Fund.

Section 4.04. Reserve Fund.

(A) *Establishment of Reserve Fund.* The Reserve Fund is hereby established as a separate fund to be held by the Paying Agent to the credit of which a deposit shall be made as required by Section 4.01 in an amount equal to the Reserve Requirement.

Proceeds from the redemption or sale of properties with respect to which payment of delinquent Assessments and interest thereon was made from the Reserve Fund under Section 4.03(B) above shall be deposited into the Reserve Fund, as provided in Section 8883 of the Bond Law.

Moneys in the Reserve Fund shall be held by the Paying Agent for the benefit of the City and the owners of the Assessment Bonds as a reserve for the payment of principal of (including sinking payments), and interest and any premium on, the Assessment Bonds.

The Paying Agent shall administer the Reserve Fund in accordance with this Agreement and Part 16 of the Bond Law.

(B) *Use of Reserve Fund.* Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Paying Agent solely for the purpose of making transfers to the Redemption Fund if any deficiency exists at any time in the Redemption Fund of the amount then required for payment of the principal of (including sinking payments), and interest on, the Assessment Bonds or, in accordance with this Section, for the purpose of redeeming Assessment Bonds from the Redemption Fund.

(C) *Transfer Due to Deficiency in Redemption Fund.* Transfers shall be made from the Reserve Fund to the Redemption Fund in the event of a deficiency in the Redemption Fund, in accordance with Section 4.03(B) above.

(D) *Payment of Assessments.* Whenever, after the issuance of the Bonds, an Assessment is paid, in whole or in part, as provided in the Bond Law, the Paying Agent shall transfer from the Reserve Fund to the Redemption Fund an amount equal to the product of the ratio of the original amount of the Assessment securing any Assessment Bonds so paid to the original amount of all unpaid Assessments securing any Assessment Bonds, times the amount of the Reserve Requirement as of the Closing Date.

(E) *Transfer of Excess of Reserve Requirement.* Whenever, on any Interest Payment Date, the amount in the Reserve Fund exceeds the Reserve Requirement, the Paying Agent shall, transfer on or before such Interest Payment Date an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used in accordance with Part 16 of the Bond Law.

(F) *Transfer When Balance Exceeds Outstanding Assessment Bonds.* Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Assessment Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Assessments shall be discontinued and the Paying Agent shall liquidate the Reserve Fund in retirement of the Outstanding Assessment Bonds.

If the balance in the Reserve Fund at the time of liquidation exceeds the amount required to retire all of the Outstanding Assessment Bonds, the Paying Agent shall use the excess in accordance with the Act and the Bond Law.

(G) *Investment.* Moneys in the Reserve Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Reserve Fund.

ARTICLE V

COVENANTS OF THE CITY

Section 5.01. Collection of Assessments. The City shall comply with all requirements of the Act, the Bond Law and this Agreement to assure the timely collection of the Assessments, including, without limitation, the enforcement of delinquent Assessments. Any funds received by the City in and for the District, including, but not limited to, collections of Assessments upon the secured tax rolls, collections of delinquent Assessments and penalties thereon, through foreclosure proceedings and the prepayment of Assessments or portions thereof, shall be immediately transmitted directly to the Paying Agent, without deduction, to be deposited into the funds and accounts herein specified. To that end, the following shall apply:

(A) The Assessments, as set forth on the List of Unpaid Assessments on file with the Finance Manager, together with the interest thereto, shall be payable in annual series corresponding in number to the number of serial maturities of the Assessment Bonds issued. An annual proportion of each Assessment shall be payable in each year preceding the date of maturity of each of the several series of Assessment Bonds issued sufficient to pay the Assessment Bonds when due and such proportion of each Assessment coming due in any year, together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property. All sums received from the collection of the Assessments and of the interest and penalties thereon shall be placed in the Redemption Fund. Any prepayments of Assessments shall be placed in the Prepayment Account established under and administered in accordance with this Agreement.

(B) The Finance Manager shall, before the final date on which the Auditor will accept the transmission of the Assessments for the parcels within the District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Assessments on the next secured tax roll of the County. The Finance Manager is hereby authorized to employ consultants to assist in computing the installments of the Assessments hereunder and in reconciling Assessments billed to amounts received as provided in subsection (C) of this Section 5.01.

(C) The Assessments shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. In addition to any amounts authorized pursuant to the Bond Law to be included with the annual amounts of installments as aforesaid, the City, pursuant to section 8682.1 of the Bond Law, may cause to be entered on the assessment roll on which taxes will next become due, opposite each lot or parcel of land within the District in the manner set forth in said section 8682, each lot's pro rata share of the annual expenses of the City in connection with the administrative duties thereof for the Assessment Bonds, including, but not limited to, the costs of registration, authentication, transfer and compliance with the provisions of Article V hereof,

which shall be used to defray the costs of the City in complying with the provisions of this Agreement. Delinquent Assessments shall be subject to foreclosure pursuant to Section 5.02 hereof.

Section 5.02. Foreclosure. The City hereby covenants with and for the benefit of the Owners of the Assessment Bonds that it will order, and cause to be commenced, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Assessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in Sections 8830 and 8835, inclusive of the Bond Law and the conditions specified in this Section 5.02.

The Finance Manager shall notify the City Attorney of any such delinquency of which the Finance Manager is aware, and the City Attorney shall commence, or cause to be commenced, such foreclosure proceedings. Under this Section, "commence" means and includes any actions preparatory to filing of any complaint. The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings.

The following conditions shall apply to the foreclosure proceedings, which shall be commenced within 60 days after any of the following determinations have been made, which shall be made by the Finance Manager not later than October 1 of each Fiscal Year:

(A) If the Finance Manager determines that there is a delinquency in the payment of three or more installments of the Assessments for a prior Fiscal Year or Years for any single parcel of land in the Assessment District, foreclosure shall be commenced against each parcel of land in the Assessment District with a delinquency in the payment of three or more installments of the Assessments for the prior Fiscal Year or Years.

(B) If the Finance Manager determines that the total amount of delinquent Assessment for the prior Fiscal Year for the entire Assessment District exceeds 4% of the total Assessments due and payable for the prior Fiscal Year, foreclosure shall be commenced against each parcel of land within the Assessment District with any amount of delinquency for the prior Fiscal Year or Years.

Provided, however, that nothing herein shall prevent the Finance Manager or the City Attorney from causing the commencement of foreclosure proceedings before the occurrence of any of the foregoing.

Notwithstanding the foregoing, the City may elect to defer foreclosure proceedings on any parcel if the City has received funds equal to the delinquent Assessments from any other source, and those funds are available to contribute toward the payment of the principal of (including Sinking Fund Payments) and interest on the Assessment Bonds when due (including without limitation funds received under the Teeter Plan and funds from the sale of the receivables associated with delinquent Assessments).

Section 5.03. Punctual Payment. The City will punctually pay or cause to be paid the principal of (including sinking payments) and interest on the Assessment Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Assessment Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Assessment Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest is extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Assessment Bonds then Outstanding and of all claims for interest which have not been so extended or funded.

Section 5.05. Against Encumbrance. The City will not encumber, pledge or place any charge or lien upon any of the Assessments or other amounts pledged to the Assessment Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Assessment Bonds, except as permitted by the Resolution of Issuance, this Agreement, the Act or the Bond Law.

Section 5.06. Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Assessments, which shall be subject to inspection by the Owners of the Assessment Bonds upon reasonable prior notice on any Business Day.

Section 5.07. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Assessment Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons. From and after the delivery of any of the Assessment Bonds by the City, the Assessment Bonds shall be incontestable by the City.

Section 5.08. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Private Activity Bond Limitation. The City shall assure that the proceeds of the Assessment Bonds are not so used as to cause the Assessment Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.10. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Assessment Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.11. Exemption from Rebate Requirement. The City is a governmental unit with the power to impose taxes of general applicability which, when collected, may be used for general purposes of the Issuer; the Assessment Bonds are not private activity bonds within the meaning of section 141 of the Code; and 95% of the net proceeds of the Assessment Bonds are to be used for local governmental activities of the City. The aggregate face amount (or, issue price, in the case of issues with a net original issue discount or net original issue premium in excess of 2% of the principal amount of the issue, excluding original issue premium used for reasonable underwriter's compensation) of all tax-exempt obligations (other than private activity bonds as

defined in section 141 of the Code) issued by the City, including all subordinate entities of the Issuer and all entities which may issue obligations on behalf of the City, during the calendar year during which the Assessment Bonds are being issued, is not reasonably expected to exceed \$5,000,000, excluding, however, that portion of current refunding obligations having a principal amount not in excess of the principal amount of the refunded obligation. By reason of the statements set forth in this subparagraph, the City will not rebate excess investment earnings, if any, to the federal government.

Section 5.12. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Paying Agent or otherwise, any action with respect to the proceeds of the Assessment Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Assessment Bonds would have caused the Assessment Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.13. Maintenance of Tax-Exemption. The City shall take all actions needed to assure the exclusion of interest on the Assessment Bonds from the gross income of the Owners of the Assessment Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Assessment Bonds.

Section 5.14. Record Retention. The City shall retain its records of all accounting and monitoring it carries out with respect to the Assessment Bonds for at least 3 years after the Assessment Bonds mature or are redeemed (whichever is earlier); however, if the Assessment Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Assessment Bonds.

Section 5.15. Compliance with Tax Certificates. The City will comply with the provisions of the Arbitrage Certificate and the Use of Proceeds Certificate with respect to the Assessment Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Assessment Bonds.

Section 5.16. Yield of the Assessment Bonds. In determining the yield of the Assessment Bonds to comply with Sections 5.11 and 5.12 hereof, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Assessments and use of prepayments for redemption of the Assessment Bonds, without regard to whether or not prepayments are received or Assessment Bonds are redeemed.

Section 5.17. Small Issuer Exemption from Bank Nondeductibility Restriction. The City hereby designates the Assessment Bonds for purposes of paragraph (3) of section 265(b) of the Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except qualified 501(c)(3) bonds as defined in section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Assessment Bonds, has been or will be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2025.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Paying Agent shall be invested by the Paying Agent in Authorized Investments.

(B) During any period when a substitute Paying Agent has been appointed for the Finance Manager under Section 7.01(B), moneys in any fund or account created or established by this Agreement and held by the Paying Agent shall be invested as directed pursuant to an Officer's Certificate filed with the Paying Agent at least two Business Days in advance of the making of such investments, and the following shall apply to such investments:

(i) In the absence of any such Officer's Certificate, the Paying Agent shall invest any such moneys in Authorized Investments described in clause (h) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder provided, however, that any such investment shall be made by the Paying Agent only if, prior to the date on which such investment is to be made, the Paying Agent shall have received an Officer's Certificate specifying a specific money market fund and, if no such Officer's Certificate is so received, the Paying Agent shall hold such moneys uninvested. The Paying Agent shall be entitled to rely upon any investment directions from the City as conclusive certification to the Paying Agent that the investments described therein are so authorized under the laws of the State of California and qualify as Authorized Investment. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts;

(ii) The Paying Agent or its affiliates may act as principal or agent in the acquisition or disposition of any investment. The Paying Agent shall incur no liability for losses arising from any investments made pursuant to this Section;

(iii) Investments in any and all funds and accounts may at the discretion of the Paying Agent be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Paying Agent hereunder, provided that the Paying Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement; and

(iv) The Paying Agent shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and the Paying Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Paying Agent will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Paying Agent hereunder.

Section 6.02. Acquisition, Disposition and Valuation of Investments.

(A) Except as otherwise provided in subsection (B) of this Section, the City covenants that all investments of amounts deposited in any fund or account under this Agreement, or otherwise containing gross proceeds of the Assessment Bonds (under section 148 of the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value, provided that the Paying Agent shall not be responsible for the determination of Fair Market Value.

(B) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (under section 148 of the Code), provided that the Paying Agent shall not be responsible for the determination of present value. The Paying Agent shall be deemed to have complied with such valuation by using its automated pricing service through its trust accounting system.

Section 6.03. Liability of City. The City shall not incur any responsibility in respect of the Assessment Bonds or this Agreement other than in connection with the duties or obligations explicitly provided herein or in the Assessment Bonds. The City shall not be liable to any Owner in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Paying Agent herein or of any of the documents executed by the Paying Agent in connection with the Assessment Bonds, or as to the existence of a default thereunder. Under this Agreement, the following shall apply to the City:

(A) In the absence of bad faith, the Paying Agent and the City, including the Finance Manager, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and the City and conforming to the requirements of this Agreement. The Paying Agent and the City, including the Finance Manager, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts;

(B) No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the foreclosure proceedings for delinquent Assessments and the payment of fees and costs of the Paying Agent) in the performance of any of its obligations hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(C) The Paying Agent and the City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate,

report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent and the City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith;

(D) The City or the Paying Agent shall not be bound to recognize any person as the Owner of an Assessment Bond unless duly registered and until such Assessment Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed; and

(E) Whenever in the administration of its duties under this Agreement the City or the Paying Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City or the Paying Agent, be deemed to be conclusively proved and established by a certificate of the Paying Agent or other expert retained by the City or the Paying Agent for the purposes hereof, and such certificate shall be full warrant to the City or the Paying Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the City or the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 6.04. Employment of Agents by Paying Agent or City. In order to perform its duties and obligations hereunder, the Paying Agent or the City may employ such persons or entities as it deems necessary or advisable. The Paying Agent or the City shall not be liable for any of the acts or omissions of such persons or entities employed by it with reasonable care and in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE PAYING AGENT

Section 7.01. Appointment of Paying Agent. The City's Finance Manager is hereby appointed Paying Agent and paying agent for the Assessment Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Paying Agent. With respect to the appointment of the Paying Agent, the following shall apply:

(A) Any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Paying Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Paying Agent shall give the Finance Manager written notice of any such succession hereunder.

(B) The City may remove the Paying Agent initially appointed and any successor thereto, and may appoint a successor or successor's thereto, but any successor Paying Agent shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(C) The Paying Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent, satisfying the requirements of Section 7.01(B) above, by an instrument in writing. Any resignation or removal of the Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

(D) If no appointment of a successor Paying Agent is made pursuant to the foregoing provisions of this Section within 45 days after the Paying Agent has given to the City written notice or after a vacancy in the office of the Paying Agent has occurred by reason of its inability to act, the Paying Agent or any Assessment Bond Owner may apply to any court of competent jurisdiction to appoint a successor Paying Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Paying Agent; and

(E) If, by reason of the judgment of any court, the Paying Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Paying Agent hereunder shall be assumed by and vest in the Finance Manager of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the

Owners that its Finance Manager in such case shall be vested with all of the rights and powers of the Paying Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Paying Agent hereunder, in trust for the benefit of the Owners of the Assessment Bonds.

Section 7.02. Liability of Paying Agent. With respect to the liability of the Paying Agent, the following shall apply:

(A) The recitals of facts, covenants and agreements herein and in the Assessment Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, makes no representations as to the validity or sufficiency of this Agreement or of the Assessment Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Assessment Bonds assigned to or imposed upon it. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Paying Agent assumes no responsibility or liability for any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Assessment Bonds;

(B) The Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Paying Agent, the Paying Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Paying Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Paying Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument;

(C) The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts;

(D) No provision of this Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers;

(E) The Paying Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Paying Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(F) The Paying Agent may become the owner of the Assessment Bonds with the same rights it would have if it were not the Paying Agent;

(G) The permissive right of the Paying Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct;

(H) The Paying Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, shall not be liable for the acts or omissions of such attorneys or agents appointed with due care; and

(I) The Paying Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(J) The Paying Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means") shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Paying Agent, or another method or system specified by the Paying Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Paying Agent an incumbency certificate listing Authorized Officers with the authority to provide such Instructions and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Paying Agent Instructions using Electronic Means and the Paying Agent in its discretion elects to act upon such Instructions, the Paying Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Paying Agent cannot determine the identity of the actual sender of such Instructions and that the Paying Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Paying Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Paying Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Paying Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Paying Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Paying Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

(K) The Paying Agent will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of god or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Assessment Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Paying Agent.

Section 7.03. Information; Books and Accounts. The Paying Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Paying Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the Redemption Fund. Such books of record and accounts shall, upon reasonable notice, at all times during business hours on any Business Day be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Assessment Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Paying Agent. The Paying Agent may conclusively rely, without undertaking any investigation or inquiry, and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. The Paying Agent shall not be bound to recognize any person as the Owner of an Assessment Bond unless and until such person is the registered Owner of such Assessment Bond and such Assessment Bond is submitted for inspection, if required, and such Owner's title thereto satisfactorily established, if disputed. Whenever in the administration of its duties under this Agreement the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the City, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation; Indemnification. The City shall pay to the Paying Agent from time to time reasonable compensation for all services rendered as Paying Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of the Paying Agent's in house or other attorneys and agents, incurred in and about the performance of their powers and duties under this Agreement, but the Paying Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City

further agrees, to the extent permitted by applicable law, to indemnify and save the Paying Agent, its officers, employees, directors and agents harmless against any costs, claims, losses, expenses including legal fees and expenses or liabilities of any kind whatsoever which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the City under this Section shall survive resignation or removal of the Paying Agent under this Agreement and payment of the Assessment Bonds and discharge of this Agreement.

Section 7.06. Interaction With the City. In conducting its duties hereunder whenever the Paying Agent is required or deems it appropriate to communicate with the City, it shall communicate with the Finance Manager unless otherwise specifically required hereunder. All statements and reports required to be produced by the Paying Agent hereunder shall be provided to the Finance Manager unless otherwise specifically provided hereunder.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the City and of the Owners of the Assessment Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Assessment Bonds then Outstanding, exclusive of Assessment Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Assessment Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of (including sinking payments) and the interest on any Assessment Bond, without the express consent of the Owner of such Assessment Bond, or (ii) permit the creation by the City of any pledge or lien upon the Assessments superior to or on a parity with the pledge and lien created for the benefit of the Assessment Bonds (except as otherwise permitted by the Act, the Resolution, the laws of the State of California or this Agreement), or reduce the percentage of Assessment Bonds required for the amendment hereof, or to amend this Section 8.01. Any such amendment may not modify any of the rights or obligations of the Paying Agent without its written consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Assessment Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Paying Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Assessment Bonds; or

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Assessment Bonds.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Paying Agent may at any time execute a Supplemental Agreement amending the provisions of the Assessment Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01 hereof, to take effect when and as provided in

this Section 8.03. With respect to such Supplemental Agreement under this Section 8.03, the following shall apply:

(A) A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Paying Agent to each Owner of Assessment Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided;

(B) Such Supplemental Agreement shall not become effective unless there shall be filed with the Paying Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Assessment Bonds then Outstanding (exclusive of Assessment Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Assessment Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Assessment Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Paying Agent prior to the date when the notice hereinafter in this Section provided for has been mailed; and

(C) After the Owners of the required percentage of Assessment Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Assessment Bonds and will be effective as provided in this Section but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Paying Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Paying Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Paying Agent of the proof of matters therein of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Assessment Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 8.04. Disqualified Assessment Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Assessment Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Paying Agent, the City shall specify in a certificate to the Paying Agent those Bonds disqualified pursuant to this Section and the Paying Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and

obligations under this Agreement of the City and all Owners of Assessment Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Assessment Bonds Issued After Amendment. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon request of the Owner of any Assessment Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Paying Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Assessment Bond. The City may determine that new Assessment Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon request of the Owner of any Assessment Bonds then Outstanding, such new Assessment Bonds shall be exchanged at the Principal Office of the Paying Agent without cost to any Owner, for Assessment Bonds then Outstanding, upon surrender of such Assessment Bonds.

Section 8.07. Amendatory Endorsement of Assessment Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Assessment Bonds held by him, provided that due notation thereof is made on such Assessment Bonds.

Section 8.08. No Additional Indebtedness. The City covenants not to issue additional obligations secured by a pledge of the Assessments equally and ratably with the Assessment Bonds, except that the City may issue bonds secured on parity with the Assessment Bonds to refund all or a portion of the Assessment Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Paying Agent and the Owners, any right, remedy or claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Paying Agent.

Section 9.02. Successor is Deemed Included in All Reference to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Paying Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. Subject to the provisions of Section 2.13 hereof, if the City pays and discharges the entire indebtedness on all Assessment Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of (including sinking payments) and interest on all Assessment Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Paying Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in Section 4.03 is fully sufficient to pay all Assessment Bonds Outstanding, including all principal and interest, or;

(C) by irrevocably depositing with the Paying Agent, in trust, cash and Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in Sections 4.04 and 4.05, be fully sufficient to pay and discharge the indebtedness on all Assessment Bonds, including all principal and interest, at or before their respective maturity dates;

and if such Assessment Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as in this Agreement provided or provision satisfactory to the Paying Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Assessment Bonds have not been surrendered for payment, the pledge of the Assessments and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to all Assessment Bonds Outstanding shall cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owners of the Assessment Bonds not so surrendered and paid all sums due thereon, the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Assessment Bonds from gross income for federal income tax purposes, and all amounts owing to the Paying Agent pursuant to Section 7.05 hereof; and thereafter Assessments shall not be payable to the Paying Agent. Notice of such election shall be filed with the Paying Agent.

Any funds thereafter held by the Finance Manager upon payments of all fees and expenses of the Paying Agent, which are not required for said purpose, shall be paid over to the City to be used by the City as provided in the Act and the Bond Law.

In connection with any discharge under this Section, refunding bonds may be exchanged for the Assessment Bonds to be refunded on any basis (including with respect to redemption dates) that the legislative body of the City determines is for the benefit of the City if the bondholders consent to the exchange.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of registered bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books. Any consent, request, declaration or other instrument or writing of the then registered Owner of any Assessment Bond shall bind all future Owners of such Assessment Bond in respect of anything done or suffered to be done by the City or the Paying Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of (including sinking payments) or interest on the Assessment Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demand on City and Paying Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Paying Agent to or on the City, or by the City to or on the Paying Agent, may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City or the Paying Agent with one another) as follows:

City of Hermosa Beach
1315 Valley Drive
Hermosa Beach, CA 90254

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Assessment Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Finance Manager or the Paying Agent in trust for the payment and discharge of the principal of (including sinking payments) and the interest on, the Assessment Bonds which remains unclaimed for 2 years after the date when payments of principal and interest have become payable, shall be repaid by the Finance Manager or the Paying Agent to the City as its absolute property free from any trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the City for the payment of the principal of (including sinking payments) and interest on such Assessment Bonds.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Assessments.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal of the Assessment Bonds or the date fixed for redemption of any Assessment Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal, or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no additional interest shall accrue from and after such Interest Payment Date until such Business Day.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Paying Agent have caused this Agreement to be executed, all as of the date first written above.

CITY OF HERMOSA BEACH

By: _____
Steve Napolitano
Interim City Manager

ATTEST:

City Clerk

**FINANCE MANAGER OF THE CITY OF
HERMOSA BEACH, *as Paying Agent***

By: _____
Henry Chao
Finance Manager

EXHIBIT A

[FORM OF ASSESSMENT BOND]

**United States of America
State of California
County of Los Angeles**

Registered No. 1

\$_____

**City of Hermosa Beach
Greenwich Village North Underground Utilities Assessment District
Limited Obligation Improvement Bonds**

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 2, 20__

_____, 2025

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: \$_____

Under and by virtue of the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the California Streets and Highways Code (the "Act"), the City of Hermosa Beach, County of Los Angeles, State of California (the "City"), will, out of the redemption fund for the payment of the bonds (the "Assessment Bonds") issued upon the unpaid portion of assessments made for the Assessment Bonds more fully described in proceedings taken pursuant to Resolution No. _____ entitled "A Resolution of the City Council of the City of Hermosa Beach Authorizing the Issuance of Limited Obligation Improvement Bonds, Approving and Directing the Execution of a Paying Agent Agreement, Authorizing Sale of Bonds, and Other Related Documents and Actions with Respect Thereto" adopted by the City Council on July 22, 2025 (the "Resolution of Issuance"), and a Paying Agent Agreement dated as of August 1, 2025 (the "Paying Agent Agreement"), between the City and the Finance Manager of the City of Hermosa Beach, as paying agent (the "Paying Agent"), pay to the Owner named above or registered assigns on the maturity date stated above, the principal amount stated above, in lawful money of the United States of America and in like manner will pay interest at the rate per annum stated above, payable semiannually on March 2 and September 2 in each year commencing March 2, 2026 (each an "Interest Payment Date").

Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Assessment Bond shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof unless (i) it is authenticated and registered as of an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the Dated Date set forth above.

As to any registered owner hereof, the principal and redemption premiums, if any, shall be payable at the office of the Paying Agent specified above, and interest shall be paid by check, draft or warrant mailed to the registered owner hereof at the registered owner's address as it appears on the records of the Paying Agent, or at such address as may have been filed with the Paying Agent, for that purpose, as of the 15th day of the calendar month immediately preceding each Interest Payment Date; provided however, upon request in writing of an Owner of \$1,000,000 or more in aggregate principal amount of Assessment Bonds, such request having been made before 15 calendar days preceding an Interest Payment Date, such interest shall be paid on such Interest Payment Date by wire transfer in immediately available funds to an account in the continental United States designated by such Owner to the Paying Agent.

This Bond shall not be entitled to any benefit under the Act, the Resolution of Issuance and the Paying Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon has been dated and signed by the Paying Agent.

This Bond is issued by the City under the Act and the Paying Agent Agreement for the purpose of undergrounding utilities serving the City's Greenwich Village North Underground Utilities Assessment District as more particularly described in said proceedings, and is secured by the moneys in the Redemption Fund (as may be limited by the Paying Agent Agreement) and by the unpaid portion of said assessments made for the payment of said project, and, including principal and interest, is payable exclusively out of the Redemption Fund.

This Bond is transferable by the Owner hereof, in person or by the Owner's attorney duly authorized in writing, at said office of the Agent, subject to the terms and conditions provided in the Paying Agent Agreement, including the payment of certain charges, if any, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond or Bonds, of any authorized denomination or denominations, of the same maturity, and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

Neither the City nor the Paying Agent shall be required to make such exchange or registration of transfer of Assessment Bonds during the 15 days immediately preceding any Interest Payment Date or any exchange or transfer of an Assessment Bond after such Assessment Bond has been called for redemption.

The City and the Paying Agent may treat the Owner hereof as the absolute owner for all purposes, and the City and the Agent shall not be affected by any notice to the contrary.

This Bond may be redeemed prior to maturity, in whole or in part, at the option of the City on any Interest Payment Date on or after September 2, 20__, from any source of available funds, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, without premium.

This Bond is subject to extraordinary redemption prior to maturity, as a whole or in part on a pro rata basis among maturities, from amounts deposited in the Prepayment Account of the Redemption Fund as a result of the prepayment of Assessments, on any Interest Payment Date, at a redemption price (expressed as a percentage of the principal amount of this Bond to be redeemed) plus with accrued interest to the date of redemption, as follows, all in the manner and as provided in the Bond Law:

<u>Redemption Date</u>	<u>Redemption Price</u>
------------------------	-------------------------

Interest Payment Dates through September 2, 20__	__%
March 2, 20__, and September 2, 20__	__
March 2, 20__, and September 2, 20__	__
March 2, 20__, and Interest Payments Dates thereafter	__

This Bond is subject to mandatory redemption in part by lot from sinking payments made by the City at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, in the aggregate respective principal amounts and on the dates as set forth in the following schedule.

Sinking Payment
Redemption Date
(September 2)

Principal Amount
To Be Redeemed

20__ (maturity)

However, in the event of a partial redemption through optional redemption, the mandatory sinking payments set forth above will be reduced on a pro-rata basis in integral multiples of \$0.01 as determined by the Paying Agent.

However, in the event of a partial redemption through extraordinary redemption from Assessment prepayments, the mandatory sinking payments set forth above will be reduced in inverse order of maturity or from such maturities as are selected by the City, in integral multiples of \$0.01 as determined by the Paying Agent.

The provisions of Part 11.1 of the Bond Law are applicable to the optional and extraordinary redemption, and the advance payment of Assessments.

This Bond is subject to refunding under the procedures of Division 11 (commencing with Section 9000) or Division 11.5 (commencing with Section 9500) of the Streets and Highways Code subject to the conditions set forth in the Paying Agent Agreement.

This Bond is a Limited Obligation Improvement Bond because, under the Resolution of Issuance and the Paying Agent Agreement, the City is not obligated to advance funds from the City treasury to cover any deficiency which may occur in the redemption fund for the Assessment Bonds.

IN WITNESS WHEREOF, the City of Hermosa Beach has caused the Bond to be dated the Dated Date set forth above, to be signed in facsimile by its City Manager and by its City Clerk.

CITY OF HERMOSA BEACH

By: _____
City Manager

By: _____
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Assessment Bonds described in the within mentioned Paying Agent Agreement, which has been authenticated and registered on _____, 2025.

**FINANCE MANAGER OF THE CITY OF
HERMOSA BEACH, as *Paying Agent***

By: _____
Finance Manager

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Assessment Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor.

NOTICE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Assessment Bond in every particular, without alteration or enlargement or any change whatsoever.