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(Zoom is for Public Comments Only)

<https://us02web.zoom.us/j/83765695395?pwd=QS9ka2lyczFKTnA2cEtralg4NmJvdz09>

Meeting ID: 837 6569 5395
Passcode: 615860
Call In: 1-669-900-6833

**COMPTON CITY COUNCIL
AGENDA
12/08/2020
5:30 PM**

OPENING

ROLL CALL

INTRODUCTION OF SPECIAL GUESTS

PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS

CONSENT AGENDA

Consent items are routine and expected to be non-controversial. They will be acted upon by the Council at one time without discussion unless a Council Member requests an item be removed or discussed.

APPROVAL OF MINUTES

1. NOVEMBER 24, 2020

CITY FIRE DEPARTMENT

2. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE 2020-2021 FISCAL YEAR BUDGET TO TRANSFER FUNDS AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH AND ISSUE A PURCHASE ORDER TO THE CITY OF VERNON FOR THE PURCHASE OF ONE (1) FIRE ENGINE AND ONE (1) FIRE AERIAL LADDER TRUCK (\$97,838)

REGULAR AGENDA

CITY MANAGER'S REPORT

3. EMPLOYEE RECOGNITION - Damion Timmons

NEW BUSINESS

4. AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CREATING THE DEPARTMENT OF COMMUNITY DEVELOPMENT
5. AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CREATING THE DEPARTMENT OF INTERNAL SERVICES
6. AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CREATING THE DEPARTMENT OF PUBLIC WORKS – STREET MAINTENANCE
7. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE LOCAL HOUSING AUTHORITY'S FISCAL YEAR 2020-2021 BUDGET TO RECEIVE AN APPROPRIATION AND ALLOCATE FUNDS FROM THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (\$339,880)
8. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING BUDGET AMENDMENTS TO THE 2020-2021 FISCAL YEAR BUDGET AND TRANSFERRING FUNDS BETWEEN VARIOUS ACCOUNTS
9. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON CALLING FOR THE HOLDING OF AN ALL MAIL BALLOT ELECTION FOR THE PRIMARY NOMINATING ELECTION TO BE HELD ON APRIL 20, 2021 AND GENERAL MUNICIPAL ELECTION TO BE HELD ON JUNE 1, 2021, RESPECTIVELY, OF CERTAIN MUNICIPAL OFFICERS
10. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CALLING FOR THE HOLDING OF A PRIMARY NOMINATING ELECTION AND A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, APRIL 20, 2021 AND TUESDAY, JUNE 1, 2021, RESPECTIVELY, FOR THE ELECTION OF CERTAIN OFFICERS AS REQUIRED BY THE PROVISIONS OF THE CITY CHARTER

11. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES TO RENDER ELECTION SERVICES TO THE CITY RELATING TO THE CONDUCT OF AN ALL-MAIL PRIMARY NOMINATING AND GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, APRIL 20, 2021 AND JUNE 1, 2021, RESPECTIVELY
12. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON MAKING CERTAIN FINDINGS, AND APPROVING A PURCHASE AND SALE AGREEMENT BETWEEN THE CITY OF COMPTON AS BUYER, AND THE PRISM REALITY CORPORATION, INFILL PROPERTY PARTNERS II, LLC, AND EFT LOT 14, LLC, COLLECTIVELY, AS SELLER, FOR THE SALE OF PROPERTY LOCATED IN THE CITY AND FINDING THAT THE CITY'S PURCHASE OF THE PROPERTY IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT
13. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING A DEBT MANAGEMENT POLICY AND A POLICY FOR DISCLOSURE PROCEDURES; APPROVING THE FORM OF LIMITED OFFERING MEMORANDUM AND CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH SALES TAX REVENUE BONDS; AUTHORIZING THE NEGOTIATION OF ONE OR MORE DEPOSIT ACCOUNT CONTROL AGREEMENTS; AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

COUNCIL COMMENTS

ADJOURNMENT

NEXT REGULAR MEETING: 12/15/2020 @ 5:30 PM

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NOVEMBER 24, 2020

The City Council Closed Session Meeting was called to order at 5:12 p.m. in the Council Chambers of City Hall by Mayor Aja Brown. The Pledge of Allegiance and Moment of Silence ceremonies were also led by Mayor Brown.

ROLL CALL

Council Members Present – Chambers, McCoy, Sharif, Brown *(Via Zoom Teleconference)*
Council Members Absent – Galvan *(Joined the meeting at 6:04 p.m.)*

Other Officials Present: D. Brown, A. Godwin, D. Sanders, C. Cornwell

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CLOSED SESSION AGENDA ITEM

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION Sims v. City of Compton, LASC Case No. BC711257 Pursuant to California Government Code Section 54957.9(a)

SUBSEQUENT NEED - CLOSED SESSION ITEM-EXISTING LITIGATION - KAREEMAH BRADFORD VS. CITY OF COMPTON, L.A. SUPERIOR COURT CASE NO. 18STCV01367

On motion by McCoy, seconded by Sharif, to consider the Subsequent Need item for closed session by the following vote on roll call:

AYES: Council Members - Chamber, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - Galvan

City Attorney Damon Brown indicated that on Monday, November 23, 2020, his office received a communication related to the above-referenced matter that requires an immediate response from the City Council. This communication was received after the agenda posting and a response is necessary before the Council can convene again. City Attorney Brown also requested a closed session to discuss a conference with legal counsel regarding existing litigation - Sims v. City of Compton, LASC Case No. BC711257 Pursuant to California Government Code Section 54957.9(a)

PUBLIC COMMENTS REGARDING CLOSED SESSION AGENDA ITEM

There were no public comments regarding the closed session agenda items.

On motion by Sharif, seconded by Chambers, Council recessed to closed session at 5:16 p.m. by the following vote on roll call:

AYES: Council Members - Chamber, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - Galvan

RECONVENE TO OPEN SESSION

On motion by Chambers, seconded by McCoy, the City Council reconvened at 6:03 p.m. by the following vote on roll call:

AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - None

REPORT OUT OF CLOSED SESSION

Councilman Galvan commented that he was disrespected, kicked out of the closed session meeting and not allowed to participate. Councilman Galvan further indicated that he was elected by the people to represent their voice on the City Council.

City Attorney Damon Brown reported that there was improper conversation taking place during closed session and further stated that the inappropriate discussion was out of order. Mayor Brown then ruled Councilman Galvan out of order for inappropriate discussion.

City Attorney Brown reported that there was no reportable action taken relative to Sims vs. City of Compton, pursuant to Government Code Section 54957.9(a). City Attorney Brown further indicated that in the matter of Kareemah Bradford vs. City of Compton, by an affirmative vote of 4 (Brown, Chambers, McCoy and Sharif) with Councilman Galvan present, but did not vote, City Council rescinded settlement authority it granted in closed session on October 27, 2020.

PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS

City Clerk Alita Godwin announced that the following individuals submitted public comments which were forwarded via email to the City Council:

Rosie Grier, The Hills4, SEIU UNION Local 721, Ron Goldman, William Carter, Leticia C. Benjamin Holifield, Michael McHenry

The following citizens spoke at the City Council meeting via Zoom:

Collee Fields, President, AFSCME Local 3947 & AFSCME V.P., spoke in opposition to agenda item Numbers, 9, 10 and 11 (ordinance for pay increase for elected officials) and requested that the City Council vote 'No' on the ordinances or remove the items from the agenda. Ms. Fields referenced the 45 City employees that were recently laid-off, furloughed, or forced into early retirement, and indicated that many employees are anxiously awaiting their return to employment to be able to provide services to the wonderful citizens of Compton. Ms. Fields urged the City Council to wait until the City is financially solvent prior to considering raises for elected officials.

Luis Smidt, Business Representative AFSCME D. C. 36, concurred with Ms. Collee Fields and spoke against agenda item Numbers 9, 10 and 11 (ordinance for pay increase), noting that the City's finances must be improved prior to approving pay increases for City Officials. Mr. Smidt reference the many City employees who have been furloughed and the current employees who have been displaced or demoted as a result of the City's current financial situation, adding that to approve the wage increase would be detrimental to personnel morale.

Robert Ray – urged the City Council to vote 'No' on agenda item Numbers 9, 10 and 11 (ordinance for pay increase), adding that the City is still in a \$15 Million deficit. He suggested that the City re-hire the employees that were laid off, prior to approving pay increases. Mr. Ray further raised concerns regarding the coronavirus and cautioned the residents to take the pandemic seriously and wear a mask whenever they leave their homes, maintain social distancing and not to gather with anyone outside their family household. He further urged the Council to protect the citizens of the community and require all Compton businesses to follow the guidelines of the CDC and the National Institute of Health to prevent the spread of Covid-19.

Elise Acevedo, 1st District Resident, spoke in opposition to agenda item Numbers 9, 10 and 11 (ordinance for pay increases), further asserting that the salaries should be going down, not up. Mr. Acevedo commented that the City is not in a financial status to give more raises. Mr. Acevedo urged the Council to give more respect to Councilman Galvan.

Amadi Williams, thanked the Council for all that they do, adding that he is particularly appreciative of all the street and road repairs. Mr. Williams read an email from 3 years ago which stated that it has been three years since he was first approached by Ron Goldman about the pocket

park program, it was met with great enthusiasm by the residents, however, nothing has happened since that time. Ron Goldman was informed that his proposed idea was scheduled to be on the agenda in early September, but this project has not come forward. Mr. Williams further stated that the project is good for the community and desired by the neighborhood and added that he understands that we are in the midst of a very serious pandemic, but that does not negate us from thinking about the future. Mr. Williams concluded by urging the Council to approve the project.

Leslie Simon, read a statement into the record: “I am the Assistant Director of Collective Bargaining and Research at SEIU 721. SEIU 721 represents Maintenance and Trades and Public Safety Auxiliary employees in the City of Compton. I am writing this evening to express our outrage that Agenda Items 9,10, and 11 are even appearing on tonight’s agenda. In May, the City Manager announced significant layoffs, voluntary demotions and forced early retirements of 45 City employees due to the economic crisis caused by the COVID 19 Pandemic. When the layoffs were announced, the City Manager stated that the General Fund hasn’t been this bad since 2013. The City is budgeted for a \$9.5 Million shortfall in the current fiscal year. The Press Release stated that “the City Council recognizes tough decisions are ahead and remain focused on delivering services and minimizing impacts to our City’s workforce.”

In our current contract negotiations, the City is using the economic crisis as justification for 0% pay increases during our three (3) year contract. We recognize that many cities are facing economic difficulties as a result of the Pandemic, and the failure of the Federal Government to pass the HEROES Act to provide stimulus money to struggling cities. We are willing to work with our employers during these tough times to keep down costs. However, there is either an economic crisis, or there isn’t one. We urge the Council to vote down the proposed pay increases. To do otherwise is completely irresponsible in light of the City’s current economic plight.”

Mayor Brown commented that the City must prioritize street repair and rehabilitation, prior to upgrading local City parks.

City Manager Craig Cornwell thanked Mr. Goldman for his patience and indicated that Staff will be presenting the pocket park proposal to the City Council once again some time in December to obtain direction from the City Council.

CONSENT AGENDA

APPROVAL OF MINUTES

1. NOVEMBER 10, 2020 (*Approved*)

On motion by McCoy, seconded by Sharif, the consent agenda was approved by the following vote on roll call:

AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - None

REGULAR AGENDA

CITY MANAGER'S REPORT

2. ORAL REPORT - TRAFFIC STUDY AND PARKING STUDY UPDATE

City Manager Cornwell reported that the City has received numerous requests for speed humps around the City, as well as issues regarding parking congestion in various residential neighborhoods. The City must perform traffic studies prior to any street changes or enhancements. Staff is working with the Interwest Engineering firm to revise the speed hump, stop sign and curb painting policies to make certain that such policies are within the proper legal parameters and that the policies are as efficient as possible. There will also be a parking study to develop the guidelines for the implementation of permit parking and parallel parking in Compton.

3. POWER POINT PRESENTATION - REQUEST FOR PROPOSAL STATUS UPDATE

City Manager Cornwell offered a power point presentation highlighting the timeline and work schedule for the various Requests for Proposals for projects in the City of Compton:

Street Maintenance Department

- **Citywide Street Sign Replacement Project** -Staff expects to have quotes for the installation of street signs by December 2020. Resolution and Staff Report are due to City Council in January 2021
- **Tree Trimming Requests for Proposals** – Resolution and Staff Report are due to Council December 2020
- **Edison LED Light Replacement** – Project completed September 2020
- **City Street LED Light Replacement** – Staff is working on finalizing the technical specifications for this RFP, which is expected to be completed by February 2021.

Mayor Brown thanked City Manager Cornwell for sharing his work plan which will enable the City Council to continue to track the progress of current and future project developments.

CITY ATTORNEY'S REPORTS

4. POWER POINT PRESENTATION - CAMPAIGN RESTRICTIONS (Contribution Limits - AB 571)

City Attorney Brown offered a power point presentation indicating that Assembly Bill 571 creates identical campaign contribution limits to those imposed on certain elective state office candidates for county or city offices, adding that AB 571 will take effect January 1, 2021.

In passing AB 571 the California Legislature noted that the vast majority of counties and cities in the State have not independently imposed local campaign contributions — although they maintain the local authority to do so. AB 571 is meant to reduce the frequency in which local candidates raise substantial campaign funds from a single contributor. It also aims to stop systems that allow local candidates to, ironically, exceed contribution limits in place for elective state officeholders who have more constituents.

Importantly, there is no language within AB 571 that suggests higher or lower local elective office contribution limits, codified by a city or county, are impacted by this new law. AB 571 neither alters current local contribution limits, nor does it limit how a city or county sets its own contribution limits in the future by resolution, ordinance or initiative after AB 571 becomes effective.

Under existing law, cities and counties were empowered to impose their own contribution limits for elective city or county office, and to administer and enforce those limits. This discretion will remain in effect after AB 571 becomes operative. However, AB 571 does set default contribution limits for elective county or city offices that are identical to those for an elected state officer to the state Assembly or Senate: currently, no more than \$4,700 from an individual per election year, but subject to change by the Fair Political Practices Commission (FPPC) in 2021.

Such contribution limits become the default in counties or cities that do not have their own codified contribution limits for local elective office. These limits are separate and apart from the restrictions placed on small contributor or political party committees, contribution limits enforced by the Fair Political Practices Commission. Under AB 571, the FPPC will have expanded administration and enforcement authority regarding the default contribution limits for cities and counties without their own local contribution limits, and makes violations of default contribution limits within the FPPC's purview punishable as a misdemeanor.

These contribution limits may be adjusted by the FPPC in January of odd-numbered years to reflect increases or decreases in the Consumer Price Index, rounded to the nearest \$100. AB 571 also extends contribution restrictions for elective county or city office regarding personal loans and for

committees created to oppose recall measures. Additionally, AB 571 allows a candidate for county or city office to carry over campaign expenditures in connection with a subsequent election for that same office, except in instances where a city and county has barred that practice in light of its own local contribution restrictions. AB 571 does not impact how much a local candidate may lend to their own campaign from their personal funds.

AB 571 greatly expands the administration and enforcement that FPPC will need to undertake in reviewing campaign contribution limits for elective county or city office for agencies that have not enacted their own local contribution limits. While this new law allows cities and counties to adopt their own campaign contribution limitations with substantial discretion, AB 571 sets a default restriction that will need to be communicated to many local officials to ensure statutory conformance starting in January 2021. Cities and counties that wish to adopt local contribution limits in light of AB 571 must consider how their own agency intends to enforce such restrictions, as the new law does not provide the FPPC with authority to administer or enforce locally set contribution limits.

5. CONSIDERATION OF ACTION UNDER AB 571 REGARDING LOCAL CAMPAIGN CONTRIBUTION LIMITS (Action Item)

After considerable discussion, Mayor Brown requested that the City Attorney provide a recommendation to the City Council relative to AB571.

City Attorney Brown indicated that he will conduct additional research and present options to the City Council for review and/or adoption.

UNFINISHED BUSINESS

6. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING CHAPTER II OF THE COMPTON MUNICIPAL CODE SECTION 2-1.2 (REGULAR MEETINGS) AND SECTION 2-1.7 (ORDER OF BUSINESS) TO ESTABLISH COUNCIL STUDY SESSIONS (Second Reading)

On motion by Chambers, seconded by McCoy, the reading of the ordinance in full was waived by the following vote on roll call:

AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown

NOES: Council Members - None

ABSENT: Council Members - None

It was moved by McCoy, seconded by Sharif, that the ordinance be adopted.

Councilmember Chambers requested that the City Attorney offer a legal opinion regarding the study sessions and whether or not such sessions would violate the Brown Act.

City Attorney Brown explained that the Compton City Charter requires the City Council to meet the first four Tuesdays of each month. The study sessions will be conducted in the same manner as regular meetings and subject to the guidelines of the Ralph M. Brown Act. Attorney Brown further indicated that as is the case with any other Council meeting, the proposed study sessions will require a 72 hours advance notice, a quorum of the City Council members, and of course, the meeting will be open to the public for input and discussion.

Ordinance Number 2,326 entitled ‘AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING CHAPTER II OF THE COMPTON MUNICIPAL CODE SECTION 2-1.2 (REGULAR MEETINGS) AND SECTION 2-1.7 (ORDER OF BUSINESS) TO ESTABLISH COUNCIL STUDY SESSIONS’ was adopted by the following vote on roll call:

AYES: Council Members - Chambers, McCoy, Sharif, Brown

NOES: Council Members - Galvan

ABSENT: Council Members - None

NEW BUSINESS

7. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE 2020-2021 FISCAL YEAR BUDGET AND DECLARING A 2005 COMPTON FIRE DEPARTMENT AERIAL LADDER TRUCK AS SURPLUS AND AUTHORIZING THE SALE THEREOF TO FIRETRUCKS UNLIMITED (\$90,000)

On motion by Sharif, seconded by McCoy, **Resolution Number 25,377** entitled '**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE 2020-2021 FISCAL YEAR BUDGET AND DECLARING A 2005 COMPTON FIRE DEPARTMENT AERIAL LADDER TRUCK AS SURPLUS AND AUTHORIZING THE SALE THEREOF TO FIRETRUCKS UNLIMITED**' was adopted by the following vote on roll call:

AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - None

8. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING THE FIRST QUARTERLY BUDGET AMENDMENT TO THE 2020-2021 FISCAL YEAR BUDGET AND TRANSFERRING FUNDS BETWEEN VARIOUS ACCOUNTS

It was moved by McCoy, seconded by Chambers, that the resolution be adopted.

City Manager Cornwell explained the various amendments to the expenditure appropriations which will address the budgetary issues that arose between the adoption of the budget and the end of the first quarter of Fiscal Year 2020-2021.

Resolution Number 25,378 entitled '**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING THE FIRST QUARTERLY BUDGET AMENDMENT TO THE 2020-2021 FISCAL YEAR BUDGET AND TRANSFERRING FUNDS BETWEEN VARIOUS ACCOUNTS**' was adopted by the following vote on roll call:

AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - None

9. AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON FIXING THE COMPENSATION FOR THE ELECTED POSITION OF CITY ATTORNEY, EFFECTIVE AS OF JULY 1, 2021 (\$214,601) *(No action taken)*
10. AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON FIXING THE COMPENSATION FOR THE ELECTED POSITION OF CITY CLERK, EFFECTIVE AS OF JULY 1, 2021 (\$150,215) *(No action taken)*
11. AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON FIXING THE COMPENSATION FOR THE ELECTED POSITION OF CITY TREASURER, EFFECTIVE AS OF JULY 1, 2021 (\$150,000) *(No action taken)*

COUNCIL COMMENTS

City Clerk Alita Godwin requested that the meeting be adjourned in memory of her beloved brother, **Mr. Bernard McGreggor**, who passed on Sunday.

Councilmember Chambers offered the following communications/announcements:

- Encouraged everyone to continue to take advantage of the free Covid-19 testing at Gonzales Park, 1101 W. Cressey Street, Compton. The hours of operation are Sunday through Thursday from 7:00 a.m. until 6:00 p. m. Please call: (888) 634-1123 to schedule an appointment for testing.

- Congratulated Harvard College Class of 2021 Student Elijah DeVaughn on his acceptance to the prestigious Oxford University. Mr. DeVaughn is the Co-Chair of the Fellows Study Group program at Harvard's Institute of Politics and also one of Harvard's ten Mellon Mays Fellows.
- Wished everyone a Happy Thanksgiving and reminded the citizens to wear a mask and practice social distancing and avoid gathering with anyone outside their household.
- Expressed her condolences to the Godwin and McGregor Family for their loss.

Councilmember Galvan offered the following communications/announcements:

- Offered his condolences to City Clerk Godwin and her family.
- Wished everyone a safe and Happy Thanksgiving.
- Wished the Mayor and City Councilmembers and their families a very Happy Holiday Season.

(Councilman Galvan exited the meeting at 7:45 p.m.)

Councilmember McCoy offered the following communications/announcements:

- Extended her condolences to City Clerk Godwin and her family and Leroy Guillory and family on the loss of his father.
- Urged the City to upgrade the Water Utility payment program, so that residents may be able to once again pay their water bills by telephone.
- Requested that the City Manager bring forth a status report on permit parking and speed control bumps.
- Urged everyone to wear a face mask, practice social distancing, avoid gatherings and further wished everyone a Happy Thanksgiving.

Councilmember Sharif offered the following communications/announcements:

- Extended her condolences to Alita Godwin and her family for the loss of her beloved brother and Leroy Guillory on the loss of his father.
- Congratulated and commended Elijah DeVaughn on his many wonderful accomplishments and wished him all the best in his future endeavors.
- Thanked everyone involved with the Drive-Up Turkey Giveaway, adding that many were very appreciative that Compton families were served.
- Commented that she would like an update on the Neighborhood Housing Service and the Senior Housing Program.

Mayor Brown offered the following communications/announcements:

- Mayor Brown offered her condolences to the City Clerk and her family on the passing of her brother.
- Mayor Brown announced that Coronavirus-related deaths are spiking in Los Angeles County following a surge of cases and hospitalizations during November, and further indicated that the average number of new cases reported each day has more than tripled. There are 5,325 confirmed cases of the coronavirus in the City to date, with 83 fatalities attributed to the virus. Mayor Brown implored the residents to continue to wear nose and mouth coverings, practice social distancing, and perform frequent handwashing to combat the spread of the coronavirus.

Mayor Brown encouraged the residents to visit: [Comptoncity.org](https://comptoncity.org) to access the Resource Guide to receive vital information regarding food distribution centers and other programs; and further encouraged Compton residents to get tested for the coronavirus at Gonzales Park, 1101 W. Cressey Street, Compton. The hours of operation are Sunday thru Thursday from 7:00 a.m. until 6:00 p. m. Appointments can be scheduled by visiting: LHI.CARE/COVIDTESTING, or by calling: (888) 634-1123. Mayor Brown encouraged everyone to utilize this free service and establish covid-19 testing as part of a regular health care routine.

- Mayor Brown expressed her heartfelt gratitude to the many outstanding community partners, volunteers and City Staff who have provided services, food and crucial essentials to the residents in Compton.
- Mayor Brown thanked and commended Ms. Melissa Freeny for her commitment to excellence and her dedicated service to the City of Compton. Mayor Brown then congratulated Ms. Freeny in procuring a position with the NIKE Corporation, which has partnered with the City in the past and provided substantial and significant resources to continue to move Compton forward.

On motion by Sharif, seconded by McCoy, the meeting was adjourned in memory of **Mr. Bernard McGreggor** at 8:11 p.m. by the following vote on roll call:

AYES: Council Members - Chamber, McCoy, Sharif, Brown
NOES: Council Members - None
ABSENT: Council Members - Galvan

CITY CLERK OF THE CITY OF COMPTON

MAYOR OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: FIRE CHIEF

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE 2020-2021 FISCAL YEAR BUDGET TO TRANSFER FUNDS AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH AND ISSUE A PURCHASE ORDER TO THE CITY OF VERNON FOR THE PURCHASE OF ONE (1) FIRE ENGINE AND ONE (1) FIRE AERIAL LADDER TRUCK (\$97,838)

SUMMARY

Adoption of this resolution will amend the 2020-2021 Fiscal Year budget to transfer funds in the amount of Ninety Thousand Dollars (\$90,000.00) and authorize the City Manager to enter into an agreement with and issue a purchase order in the amount of Ninety-Seven Thousand Eight Hundred Thirty-Eight Dollars (\$97,838.00) to the City of Vernon for the purchase of one (1) fire engine and one (1) fire aerial ladder truck.

BACKGROUND

The City's fire engines are over twelve (12) years old or older and due to the high volume of emergency responses, the costs of repair to an aging fleet are continuing to increase. The Fire Department ("Department") has a number of City-owned vehicles that need replacement and/or retirement from everyday service in the Department's existing fleet.

STATEMENT OF ISSUE

The Department's current fleet of fire engines have held up relatively well; however, the voluminous daily use produces much wear and tear with increased maintenance and repair costs. The City has recently purchase one (1) new fire engine; two (1) new paramedic squads and one (1) used aerial truck to meet the demands of day-to-day operations.

The City of Vernon has offered to sell two (2) low mileage fire suppression vehicles to the City: a 2002 Seagrave Fire Engine at the cost of \$37,838.00 and a 1998 Spartan Fire Aerial Ladder Truck at the cost of \$60,000.00. Department staff have inspected the vehicles and recommend that the Council authorize this purchase. This purchase will allow the Department to have sufficient reserve fire suppression vehicles for use while other fire vehicles are out of service for maintenance and repairs.

**Staff Report – Resolution Authorizing Agreement with
City of Vernon/Purchase of Fire Engine & Aerial Ladder Truck
Amend 2020-2021 FY Budget, Transfer Funds
December 8, 2020, page 2**

FISCAL IMPACT

The agreed total sale price for the purchase of fire engine and the fire aerial ladder truck from the City of Vernon is \$97,838.00.

On November 24, 2020, the City Council adopted Resolution No. 25,377, which authorized the City Manager to sell the Department's 2005 Pierce Arrow Aerial Ladder Truck to Firetrucks Unlimited for the price of \$90,000.00. Staff plans to use the funds from that sale towards the cost of purchasing the vehicles from the City of Vernon and therefore request that the 2020-2021 Fiscal Year budget be amended to transfer funds as follows:

From:

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
6000-690-000-3969	Sales Proceed	\$90,000

To:

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
6000-690-000-4222	Automotive Equipment	\$90,000

The funds for this expenditure, in the amount of \$97,838.00, will be available in the Department's 2020-2021 Fiscal Year budget in Account No. 6000-690-000-4222.

RECOMMENDATION

It is staff recommendation that the Council adopt the attached Resolution.

**RONERICK SIMPSON, FIRE CHIEF
COMPTON FIRE DEPARTMENT**

APPROVED FOR FORWARDING:

**CRAIG J. CORNWELL
CITY MANAGER**

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
AMENDING THE 2020-2021 FISCAL YEAR BUDGET TO TRANSFER FUNDS
AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AN
AGREEMENT WITH AND ISSUE A PURCHASE ORDER TO THE CITY OF
VERNON FOR THE PURCHASE OF ONE (1) FIRE ENGINE AND ONE (1)
FIRE AERIAL LADDER TRUCK (\$97,838)**

WHEREAS, the Fire Department's ("Department") fire engines are essential for safe and efficient emergency response and operation; and

WHEREAS, many of the Department's fire engines are over twelve (12) years old or older and due to the high volume of emergency responses, the costs of repair to an aging fleet are continuing to increase; and

WHEREAS, the City of Vernon has offered to sell two (2) low mileage fire suppression vehicles to the City: a 2002 Seagrave Fire Engine at the cost of \$37,838.00 and a 1998 Spartan Fire Aerial Ladder Truck at the cost of \$60,000.00; and

WHEREAS, Department staff have inspected the vehicles and recommend that the Council authorize this purchase, which will allow the Department to have sufficient reserve fire suppression vehicles for use while other fire vehicles are out of service for maintenance and repairs; and

WHEREAS, the agreed total sale price for the purchase of fire engine and the fire aerial ladder truck from the City of Vernon is \$97,838.00; and

WHEREAS, on November 24, 2020, the City Council adopted Resolution No. 25,377, which authorized the City Manager to sell the Department's 2005 Pierce Arrow Aerial Ladder Truck to Firetrucks Unlimited for the price of \$90,000.00, which funds staff intend to apply towards the cost of purchasing the vehicles from the City of Vernon and therefore request that the 2020-2021 Fiscal Year budget be amended to transfer funds.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES
HEREBY RESOLVE AS FOLLOWS:**

SECTION 1. That the City Manager, on the advice of the City Attorney, is hereby authorized to enter into an agreement with the City of Vernon for the purchase of a 2002 Seagrave Fire Engine at the cost of \$37,838.00 and a 1998 Spartan Fire Aerial Ladder Truck at the cost of \$60,000.00.

SECTION 2. That the Fire Department's 2020-2021 Fiscal Year budget shall be amended to transfer funds between accounts as follows:

From:

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
6000-690-000-3969	Sales Proceed	\$90,000

To:

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
6000-690-000-4222	Automotive Equipment	\$90,000

SECTION 3. That a purchase order in the amount of \$97,838.00 is authorized to be issued for the City of Vernon.

SECTION 4. That funds in the amount of \$97,838.00 for this expenditure are available in the Fire Departments 2020-2021 Fiscal Year budget in Account No. 6000-690-000-4222.

SECTION 5. That a copy of this Resolution shall be forwarded to the offices of the City Manager, City Attorney, City Controller and the Fire Department.

SECTION 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CREATING THE DEPARTMENT OF COMMUNITY DEVELOPMENT

SUMMARY

Adoption of the attached ordinance will create the Department of Community Development, which shall contain and be comprised of the following Divisions: Building and Safety, Planning and Economic Development, Grants and the Compton Local Housing Authority.

BACKGROUND

The City has been compelled to enact significant budget cuts as a result of the COVID-19 pandemic. In response to the estimated \$5 to \$6 million-dollar budget deficit and in an effort to mitigate these financial impacts by reducing cost, increasing efficiency, and streamlining services, the City Manager's Office developed and proposed a creative, strategic, effective, and efficient organizational systems model and structure that would provide streamlined, cost-effective, efficient, and sustainable services for the community.

On June 23, 2020 the City Council adopted the Fiscal Year 2020-2021 budget. The adopted budget established a major fiscal reorganization of the City's departmental and divisional structure by fiscally reducing the number of City departments from 23 to 18, including the fiscal elimination of the separate departmental budgets for the Building and Safety Department, the Planning and Economic Development Department and the Compton Local Housing Authority and instead restructuring and allocating the funding under the proposed new City Department of Community Development.

STATEMENT OF ISSUE

The California Constitution grants charter cities the power to make and enforce all ordinances and regulations with respect to municipal affairs. Section 704 of the Compton City Charter authorizes the City Council to *"...provide by ordinance the creation and abolishment of other appointive officers or department."*

**Staff Report – Ordinance Create Department of
Community Development (Building & Safety, PED,
Grants and Compton Local Housing Authority)
December 8, 2020, page 2**

In line with the fiscal provisions the City Council adopted in the 2020-2021 Fiscal Year budget, the attached ordinance seeks to improve the management and fiscal operations of the City's departmental structure and organization by creating and establishing the Department of Community Development to be comprised of the Divisions of Building and Safety, Planning and Economic Development, Grants and the Compton Local Housing Authority.

The purpose of the new Community Development Department will be to administer the City's land use policies; including zoning, building, subdivision, and environmental regulations; to ensure the orderly physical growth of the community. Program activities will range from advance and current planning to permit/housing inspections, municipal code compliance, and economic development. The Department will also oversee the Community Development Block Grant ("CDBG") Program, Housing Urban Development ("HUD") fund, and the Housing Rehabilitation Program.

As indicated above, the 2020-2021 Fiscal Year budget, effective July 1, 2020, "*fiscally created*" a number of City departments, including the Department of Community Development, in anticipation of "formal creation" shortly thereafter in compliance with the City's Constitution (i.e. City Charter). It is imperative that there be compliance with Section 704 of the City Charter, thus staff recommends that this proposed ordinance be adopted on an urgency basis which will allow the City to be in immediate compliance with the Charter.

ALTERNATIVE

None suggested. Even though the City Council's adopted budget resolution for Fiscal Year 2020-2021 approved the fiscal reorganization of the City's departmental and divisional structure, action by the City Council; via an adopted ordinance pursuant to Section 704 of the City Charter; is required by the City Charter to formally create a City department.

FISCAL IMPACT

Savings from improved efficiency and streamlining of City services through consolidation of overlapping services and more effective allocation of administrative resources.

RECOMMENDATION

Staff recommends that the City Council adopt the attached Ordinance.

**CRAIG J. CORNWELL
CITY MANAGER**

ORDINANCE NO. _____

**AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
COMPTON CREATING THE DEPARTMENT OF COMMUNITY
DEVELOPMENT**

WHEREAS, the City has been compelled to enact significant budget cuts as a result of the COVID-19 pandemic; and

WHEREAS, in response to the estimated \$5 to \$6 million-dollar budget deficit and in an effort to mitigate these financial impacts by reducing cost, increasing efficiency, and streamlining services, the City Manager's Office developed and proposed a creative, strategic, effective, and efficient organizational systems model and structure that would provide streamlined, cost-effective, efficient, and sustainable services for the community; and

WHEREAS, on June 23, 2020, the City Council adopted the Fiscal Year 2020-2021 budget. The adopted budget established a major fiscal reorganization of the City's departmental and divisional structure by fiscally reducing the number of City departments from 23 to 18, including the fiscal elimination of the separate departmental budgets for the Building and Safety Department, the Planning and Economic Development Department and the Compton Local Housing Authority and instead restructuring and allocating the funding under the proposed new City Department of Community Development; and

WHEREAS, in line with the City Council adopted 2020-2021 Fiscal Year budget, the attached ordinance seeks to improve the management and fiscal operations of the City's departmental structure and organization by creating and establishing the Department of Community Development to be comprised of the Divisions of Building and Safety, Planning and Economic Development, Grants and the Compton Local Housing Authority; and

WHEREAS, the purpose of the new Community Development Department will be to administer the City's land use policies; including zoning, building, subdivision, and environmental regulations; to ensure the orderly physical growth of the community. Program activities will range from advance and current planning to permit/housing inspections, municipal code compliance, and economic development. The Department will also oversee the Community Development Block Grant ("CDBG") Program, Housing Urban Development ("HUD") fund, and the Housing Rehabilitation Program; and

WHEREAS, the California Constitution grants charter cities the power to make and enforce all ordinances and regulations with respect to municipal affairs; and

WHEREAS, Section 704 of the Compton City Charter authorizes the City Council to "...provide by ordinance for the creation or abolishment of other appointive officers or departments"; and

WHEREAS, while the new Department of Community Development was "*fiscally created*" within the Council adopted 2020-2021 Fiscal Year budget, it is of the utmost importance to comply with the mandates of Section 704 of the City Charter by formally creating said department by Council ordinance, thus warranting that this Ordinance be declared an urgency ordinance which shall be adopted immediately.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES
HEREBY ORDAIN AS FOLLOWS:**

Section 1. That pursuant to Section 704 of the Compton City Charter, the Department of Community Development is hereby created.

Section 2. That the City Council finds and determines that there is no possibility that the adoption of this Ordinance will have a significant effect on the environment. Accordingly, this Ordinance is not subject to the requirements of the California Environmental Quality Act ("CEQA") pursuant to Sections 15061(b)(3) and 15378 of Division 6 of Title 14 of the California Code of Regulations.

Section 3. That if any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of any competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance, and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 4. That a copy of this Ordinance shall be filed in the offices of the City Clerk and every department of the City.

Section 5. That the City Council find and declares the need that this Ordinance is required for the immediate compliance with the mandates of the Compton City Charter, as set forth above and thus shall take immediate effect.

Section 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Ordinance and shall cause same to be published as required by law.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Ordinance was adopted by the City Council, signed by the Mayor, and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Ordinance was adopted by the following vote to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CREATING THE DEPARTMENT OF INTERNAL SERVICES

SUMMARY

Adoption of the attached ordinance will create the Department of Internal Services, which shall contain and be comprised of the following Divisions: Human Resources, Information Technology, Reprographics and Channel 36 (the City's Government Cable Services channel).

BACKGROUND

The City has been compelled to enact significant budget cuts as a result of the COVID-19 pandemic. In response to the estimated \$5 to \$6 million-dollar budget deficit and in an effort to mitigate these financial impacts by reducing cost, increasing efficiency, and streamlining services, the City Manager's Office developed and proposed a creative, strategic, effective, and efficient organizational systems model and structure that would provide streamlined, cost-effective, efficient, and sustainable services for the community.

On June 23, 2020, the City Council adopted the Fiscal Year 2020-2021 budget. The adopted budget established a major fiscal reorganization of the City's departmental and divisional structure by fiscally reducing the number of City departments from 23 to 18, including the fiscal elimination of the separate departmental budgets for the Human Resources Department and reallocating the Divisions of Information Technology, Reprographics, Channel 36 and Department of Human Resources structure and funding under the proposed new City Department of Internal Services.

STATEMENT OF ISSUE

The California Constitution grants charter cities the power to make and enforce all ordinances and regulations with respect to municipal affairs. Section 704 of the Compton City Charter authorizes the City Council to *"...provide by ordinance the creation and abolishment of other appointive officers or department."*

In line with the fiscal provisions the City Council adopted in the 2020-2021 Fiscal Year budget, the attached ordinance seeks to improve the management and fiscal operations of the City's departmental structure and organization by creating and establishing the Department of Internal Services, which shall contain and be comprised of the Divisions of Human Resources, Information Technology, Reprographics and Channel 36 (the City's Government Cable Services channel). Creation of this new City department will be to centralize services that maintain and support City employees.

As indicated above, the 2020-2021 Fiscal Year budget, effective July 1, 2020, "*fiscally created*" a number of City departments, including the Department of Internal Services, in anticipation of "formal creation" shortly thereafter in compliance with the City's Constitution (i.e. City Charter). It is imperative that there be compliance with Section 704 of the City Charter, thus staff recommends that this proposed ordinance be adopted on an urgency basis which will allow the City to be in immediate compliance with the Charter.

ALTERNATIVE

None suggested. Even though the City Council's adopted budget resolution for Fiscal Year 2020-2021 approved the fiscal reorganization of the City's departmental and divisional structure, action by the City Council; via an adopted ordinance pursuant to Section 704 of the City Charter; is required by the City Charter to formally create a City department.

FISCAL IMPACT

Savings from improved efficiency and streamlining of City services through consolidation of overlapping services and more effective allocation of administrative resources.

RECOMMENDATION

Staff recommends that the City Council adopt the attached Ordinance.

**CRAIG J. CORNWELL
CITY MANAGER**

ORDINANCE NO. _____

**AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
COMPTON CREATING THE DEPARTMENT OF INTERNAL SERVICES**

WHEREAS, the City has been compelled to enact significant budget cuts as a result of the COVID-19 pandemic; and

WHEREAS, in response to the estimated \$5 to \$6 million-dollar budget deficit and in an effort to mitigate these financial impacts by reducing cost, increasing efficiency, and streamlining services, the City Manager's Office developed and proposed a creative, strategic, effective, and efficient organizational systems model and structure that would provide streamlined, cost-effective, efficient, and sustainable services for the community; and

WHEREAS, on June 23, 2020, the City Council adopted the Fiscal Year 2020-2021 budget. The adopted budget established a major fiscal reorganization of the City's departmental and divisional structure by fiscally reducing the number of City departments from 23 to 18, including the fiscal elimination of the separate departmental budgets for the Human Resources Department and reallocating the Divisions of Information Technology, Reprographics, Channel 36 and Department of Human Resources structure and funding under the proposed new City Department of Internal Services; and

WHEREAS, in line with the City Council adopted 2020-2021 Fiscal Year budget, the attached ordinance seeks to improve the management and fiscal operations of the City's departmental structure and organization by creating and establishing the Department of Internal Services, which shall contain and be comprised of the Divisions of Human Resources, Information Technology, Reprographics and Channel 36 (the City's Government Cable Services channel); and

WHEREAS, creation of this new City department will be to centralize services that maintain and support City employees; and

WHEREAS, the California Constitution grants charter cities the power to make and enforce all ordinances and regulations with respect to municipal affairs; and

WHEREAS, Section 704 of the Compton City Charter authorizes the City Council to "...provide by ordinance for the creation or abolishment of other appointive officers or departments"; and

WHEREAS, while the new Department of Internal Services was "*fiscally created*" within the Council adopted 2020-2021 Fiscal Year budget, it is of the utmost importance to comply with the mandates of Section 704 of the City Charter by formally creating said department by Council ordinance, thus warranting that this Ordinance be declared an urgency ordinance which shall be adopted immediately.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES
HEREBY ORDAIN AS FOLLOWS:**

Section 1. That pursuant to Section 704 of the Compton City Charter, the Department of Internal Services is hereby created.

Section 2. That the City Council finds and determines that there is no possibility that the adoption of this Ordinance will have a significant effect on the environment. Accordingly, this Ordinance is not subject to the requirements of the California Environmental Quality Act ("CEQA") pursuant to Sections 15061(b)(3) and 15378 of Division 6 of Title 14 of the California Code of Regulations.

Section 3. That if any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of any competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance, and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 4. That a copy of this Ordinance shall be filed in the offices of the City Clerk and every department of the City.

Section 5. That the City Council find and declares the need that this Ordinance is required for the immediate compliance with the mandates of the Compton City Charter, as set forth above and thus shall take immediate effect.

Section 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Ordinance and shall cause same to be published as required by law.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Ordinance was adopted by the City Council, signed by the Mayor, and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Ordinance was adopted by the following vote to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CREATING THE DEPARTMENT OF PUBLIC WORKS – STREET MAINTENANCE

SUMMARY

Adoption of the attached ordinance will create the Department of Public Works – Street Maintenance, which shall contain and be comprised of the following Divisions: General Services, Street Maintenance and Fleet Maintenance (formerly of the Public Works Department) and Parks Maintenance (formerly of the Parks and Recreation Department).

BACKGROUND

The City has been compelled to enact significant budget cuts as a result of the COVID-19 pandemic. In response to the estimated \$5 to \$6 million-dollar budget deficit and in an effort to mitigate these financial impacts by reducing cost, increasing efficiency, and streamlining services, the City Manager's Office developed and proposed a creative, strategic, effective, and efficient organizational systems model and structure that would provide streamlined, cost-effective, efficient, and sustainable services for the community.

On June 23, 2020, the City Council adopted the Fiscal Year 2020-2021 budget. The adopted budget established a major fiscal reorganization of the City's departmental and divisional structure by fiscally reducing the number of City departments from 23 to 18, including elimination of the separate departmental budget for the General Services Department and reallocating the Divisions of Street Maintenance, Fleet Maintenance and Parks Maintenance structure and funding under the proposed new City Department of Public Works – Street Maintenance.

STATEMENT OF ISSUE

The California Constitution grants charter cities the power to make and enforce all ordinances and regulations with respect to municipal affairs. Section 704 of the Compton City Charter authorizes the City Council to *"...provide by ordinance the creation and abolishment of other appointive officers or department."*

In line with the fiscal provisions the City Council adopted in the 2020-2021 Fiscal Year budget, the attached ordinance seeks to improve the management and fiscal operations of the City's departmental structure and organization by creating and establishing the Department of Public Works – Street Maintenance to be comprised of the Divisions of General Services, Street Maintenance, Fleet Maintenance and Parks Maintenance. The new City department will be responsible for maintenance of City facilities, parks, roadways, sewers, medians, and streetscapes through planned and regular investment in the City's infrastructure.

As indicated above, the 2020-2021 Fiscal Year budget, effective July 1, 2020, "*fiscally created*" a number of City departments, including the Department of Public Works – Street Maintenance, in anticipation of "formal creation" shortly thereafter in compliance with the City's Constitution (i.e. City Charter). It is imperative that there be compliance with Section 704 of the City Charter, thus staff recommends that this proposed ordinance be adopted on an urgency basis which will allow the City to be in immediate compliance with the Charter.

ALTERNATIVE

None suggested. Even though the City Council's adopted budget resolution for Fiscal Year 2020-2021 approved the fiscal reorganization of the City's departmental and divisional structure, action by the City Council; via an adopted ordinance pursuant to Section 704 of the City Charter; is required to formally abolish and/or create a City department.

FISCAL IMPACT

Savings from improved efficiency and streamlining of City services through consolidation of overlapping services and more effective allocation of administrative resources.

RECOMMENDATION

Staff recommends that the City Council adopt the attached Ordinance.

**CRAIG J. CORNWELL
CITY MANAGER**

ORDINANCE NO. _____

**AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
COMPTON CREATING THE DEPARTMENT OF PUBLIC WORKS – STREET
MAINTENANCE**

WHEREAS, the City has been compelled to enact significant budget cuts as a result of the COVID-19 pandemic; and

WHEREAS, in response to the estimated \$5 to \$6 million-dollar budget deficit and in an effort to mitigate these financial impacts by reducing cost, increasing efficiency, and streamlining services, the City Manager’s Office developed and proposed a creative, strategic, effective, and efficient organizational systems model and structure that would provide streamlined, cost-effective, efficient, and sustainable services for the community; and

WHEREAS, on June 23, 2020, the City Council adopted the Fiscal Year 2020-2021 budget which established a major fiscal reorganization of the City’s departmental and divisional structure by fiscally reducing the number of City departments from 23 to 18, including fiscal elimination of the separate departmental budget for the General Services Department and reassigning the Divisions of General Services, Street Maintenance and Fleet Maintenance (formerly of the Public Works Department) and Parks Maintenance (formerly of the Parks and Recreation Department) structure and funding under the proposed new City Department of Public Works – Street Maintenance; and

WHEREAS, this new City department will be responsible for maintenance of City facilities, parks, roadways, sewers, medians, and streetscapes through planned and regular investment in the City’s infrastructure.

WHEREAS, the California Constitution grants charter cities the power to make and enforce all ordinances and regulations with respect to municipal affairs; and

WHEREAS, Section 704 of the Compton City Charter authorizes the City Council to “...*provide by ordinance for the creation or abolishment of other appointive officers or departments*”; and

WHEREAS, while the new Department of Public Works – Street Maintenance was “*fiscally created*” within the Council adopted 2020-2021 Fiscal Year budget, it is of the utmost importance to comply with the mandates of Section 704 of the City Charter by formally creating said department by Council ordinance, thus warranting that this Ordinance be declared an urgency ordinance which shall be adopted immediately.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES
HEREBY ORDAIN AS FOLLOWS:**

Section 1. That pursuant to Section 704 of the Compton City Charter, the Department of Public Works – Street Maintenance is hereby created.

Section 2. That the City Council finds and determines that there is no possibility that the adoption of this Ordinance will have a significant effect on the environment. Accordingly, this Ordinance is not subject to the requirements of the California Environmental Quality Act (“CEQA”) pursuant to Sections 15061(b)(3) and 15378 of Division 6 of Title 14 of the California Code of Regulations.

Section 3. That if any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of any competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance, and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 4. That a copy of this Ordinance shall be filed in the offices of the City Clerk and every department of the City.

Section 5. That the City Council find and declares the need that this Ordinance is required for the immediate compliance with the mandates of the Compton City Charter, as set forth above and thus shall take immediate effect.

Section 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Ordinance and shall cause same to be published as required by law.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Ordinance was adopted by the City Council, signed by the Mayor, and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Ordinance was adopted by the following vote to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE LOCAL HOUSING AUTHORITY'S FISCAL YEAR 2020-2021 BUDGET TO RECEIVE AN APPROPRIATION AND ALLOCATE FUNDS FROM THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (\$339,880)

SUMMARY

The adoption of the attached resolution will authorize amending the Compton Local Housing Authority 2020-2021 Fiscal Year Budget to receive revenue and allocate funds in the amount of Three Hundred Thirty Nine Thousand Eight Hundred Eighty Dollars (\$339,880.00) from the U.S. Department of Housing and Urban Development ("HUD") as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").

BACKGROUND

The Compton Local Housing Authority ("Housing Authority") is funded by HUD to implement programs that provide housing assistance to low and very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing.

STATEMENT OF THE ISSUE

The Housing Authority was allocated funds from HUD through the CARES Act, which was enacted on March 27, 2020. The CARES Act provided additional appropriations for housing assistance payments ("HAP"), administrative fees and other Covid-19 related expenses incurred by the Housing Authority in its response to the coronavirus.

Under the CARES Act, this supplemental administrative fee funding may be used only for two purposes: (1) any currently eligible HCV administrative costs during the period that the program is impacted by coronavirus; and (2) new coronavirus-related activities, including activities to support or maintain the health and safety of assisted individuals and families, and costs related to the retention and support of participating owners.

A budget amendment is necessary to receive and allocate funds from the CARES Act in the amount of \$339,880.00 in the Fiscal Year 2020-2021 budget.

FINANCIAL IMPACT

The approval of this resolution will have no impact to the City’s General Fund. The additional revenues and expenditures will be allocated within the Compton Local Housing Authority Fiscal Year 2020-2021 budget as follows:

Increase Revenue:

Account	Description	Amount
2820-CAR-ESO3886	Revenue	\$339,800

Increase Expenditures:

	Description	Amount
2820-79C-ARE-4210	Office Supplies	\$52,766
2820-79C-ARE-4216	Printing & Duplication	\$37,764
2820-79C-ARE-4218	Other Office Supplies	\$52,766
2820-79C-ARE-4249	Special Department Expenses	\$22,764
2820-79C-ARE-4222	Computer Software	\$37,764
2820-79C-ARE-4335	Computer Equipment	\$37,764
2820-79C-ARE-4262	Other Professional Services	\$75,528
2820-79C-ARE-4269	Other Contract Services	\$22,764

RECOMMENDATION

The staff recommends that the City Council to adopt the attached resolution amending the Local Housing Authority’s Fiscal Year 2020-2021 budget to receive and allocate revenue from the U.S. Department of Housing and Urban Development from the CARES Act.

**ALENA SALL, HOUSING SERVICES SUPERVISOR
COMPTON LOCAL HOUSING AUTHORITY**

APPROVED FOR FORWARDING:

**CRAIG J. CORNWELL
CITY MANAGER**

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
AMENDING THE LOCAL HOUSING AUTHORITY’S FISCAL YEAR 2020-2021
BUDGET TO RECEIVE AN APPROPRIATION AND ALLOCATE FUNDS
FROM THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
(\$339,880)**

WHEREAS, the Compton Local Housing Authority (“Housing Authority”) receives funds from the U.S. Department of Housing and Urban Development (“HUD”) to assist low-income families, the elderly and the disabled to afford decent, safe and sanitary housing in the private market; and

WHEREAS, the Housing Authority was allocated funds from the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which was enacted on March 27, 2020; and

WHEREAS, the CARES Act provided additional appropriations for housing assistance payments (“HAP”) and administrative fee funding to prevent, prepare for, and respond to the coronavirus; and

WHEREAS, a budget amendment is necessary to appropriate new revenues and allocate projected expenditures in accounts within the Housing Authority’s 2020-2021 Fiscal Year budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON THE DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the Compton Local Housing Authority’s 2020-2021 Fiscal Year budget shall be amended to increase the revenue and expenditures as follows:

Increase Revenue:

Account	Description	Amount
2820-CAR-ESO3886	Revenue	\$339,880

Increase Expenditures:

	Description	Amount
2820-79C-ARE-4210	Office Supplies	\$52,766
2820-79C-ARE-4216	Printing & Duplication	\$37,764
2820-79C-ARE-4218	Other Office Supplies	\$52,766
2820-79C-ARE-4249	Special Department Expenses	\$22,764
2820-79C-ARE-4222	Computer Software	\$37,764
2820-79C-ARE-4335	Computer Equipment	\$37,764
2820-79C-ARE-4262	Other Professional Services	\$75,528
2820-79C-ARE-4269	Other Contract Services	\$22,764

SECTION 2. That the City Manager is hereby authorized to accept and appropriate funds received in the specified accounts in the 2020-2021 Fiscal Year budget of the Compton Local Housing Authority.

SECTION 3. That the budget amendment will increase revenues and increase expenditures in the amount of \$339,880 as allocated in Section 1.

SECTION 4. That a certified copy of this Resolution shall be filed in the offices of the City Manager, City Controller, City Clerk and the Compton Local Housing Authority.

SECTION 5. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, Clerk of the City Council of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor, and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING BUDGET AMENDMENTS TO THE 2020-2021 FISCAL YEAR BUDGET AND TRANSFERRING FUNDS BETWEEN VARIOUS ACCOUNTS

SUMMARY

Adoption of this resolution will authorize amendments to the Fiscal Year 2020-2021 Adopted Budget which was approved by the City Council on June 23, 2020.

The City Manager is recommending additional budget amendments that are needed that were not included in the 1st quarter budget amendment. All of these transactions are “cost neutral” (i.e. they do not increase or decrease net budget appropriations).

BACKGROUND

The annual budget is a planning document used to fund policies and programs as directed by Council, and is based on assumptions and projections.

STATEMENT OF THE ISSUE

The following budget transactions are necessary in order to balance all expenditures, correct any inadvertent errors, and increase the City’s level of service

1) Additional Positions and Increase Level of Services

The City Manager has identified vacant positions that can create salary savings. In order to increase level of services provided, some vacant positions had to be removed in order to deliver a cost-neutral effect.

Community Development Department – Grants Division:

The Grants Division of Community Development Department has a vacant position of Project Manager therefore, the City Manager is recommending that we remove one (1) Project Manager and add one (1) Senior Administrative Analyst. This change will cause an annual salary savings of \$7,512. The following are the proposed changes:

**Staff Report – Resolution Approving
FY 2020-21 Budget Amendments/Transferring
Funds between Various Accounts
December 8, 2020, page 2**

Delete Positions:

- One (1) 1.0 FTE Project Manager

Add Positions:

- One (1) 1.0 FTE Senior Administrative Analyst

Water Department:

The City Manager is recommending that we remove one vacant (1) Accounting Specialist and add one (1) Administrative Specialist in the Water Department. Both positions have the same salary range therefore, this change is cost-neutral and does not require any accounts to be amended. The following are the proposed changes:

Delete Positions:

- One (1) 1.0 FTE Accounting Specialist

Add Positions:

- One (1) 1.0 FTE Administrative Specialist

2) Community Improvement Services Overtime Additional Funding

The Fiscal Year 2020-2021 Adopted Budget did not allocate enough overtime funding for the Community Improvement Services in the General Fund. This overtime is needed for weekend patrolling and special details. The City Manager is recommending that we transfer salary savings to fund the overtime needed. The following are the proposed changes:

Decrease Budget Accounts:

• 1001-620-000-4101	Salary Savings	\$ 12,500.00
• 1001-780-BSF-4101	Salary Savings	\$ 12,500.00
	Total	\$ 25,000.00

Increase Budget Accounts:

• 1001-670-000-4171	Overtime	\$ 25,000.00
	Total	\$ 25,000.00

3) Mayor & Council Additional Funding

The Fiscal Year 2020-2021 Adopted Budget did not allocate any special projects (events) funding for the Mayor and Council. Events by the Mayor and City Council promote food giveaways, district clean-ups, holiday events, and events that help the community. The City Manager is recommending that we utilize savings from the Compton Christmas Parade to be transferred to the Mayor and Council budget. The following are the proposed changes:

Decrease Budget Accounts:

• 1001-610-000-4238	Special Projects	\$ 25,000.00
	Total	\$ 25,000.00

Increase Budget Accounts:

• 1001-400-C01-4238	Special Projects	\$ 5,000.00
• 1001-400-C02-4238	Special Projects	\$ 5,000.00
• 1001-400-C03-4238	Special Projects	\$ 5,000.00
• 1001-400-C04-4238	Special Projects	\$ 5,000.00
• 1001-400-C05-4238	Special Projects	\$ 5,000.00
	Total	\$ 25,000.00

The proposed Budget Amendment transfers funds to various accounts with no net changes to the 2020-2021 Fiscal Year Budget. All changes are to take effect on the adoption date of this resolution.

FISCAL IMPACT

As outlined in this report, the City of Compton has a balanced budget and the recommendations are cost neutral and does not have a negative impact on the City's balanced budget.

ALTERNATIVE

The budget amendments outlined above are critical adjustment necessary to ensure that the City continues with a balanced Fiscal Year 2020-2021 budget, meanwhile providing constituents with the best quality level of service.

**Staff Report – Resolution Approving
FY 2020-21 Budget Amendments/Transferring
Funds between Various Accounts
December 8, 2020, page 4**

RECOMMENDATION

Staff recommends that the City Council adopt the attached Resolution authorizing the City Manager to make the amendments to the FY 2020-2021 Budget.

**CRAIG J. CORNWELL
CITY MANAGER**

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
APPROVING BUDGET AMENDMENT TO THE 2020-2021 FISCAL
YEAR BUDGET AND TRANSFERRING FUNDS BETWEEN VARIOUS
ACCOUNTS**

WHEREAS, pursuant to Resolution No. 25,302, the Council of the City of Compton adopted the Fiscal Year 2020-2021 budget on June 23, 2020; and

WHEREAS, the City Manager has identified vacant positions that can create salary savings. In order to increase level of services provided, some vacant positions had to be removed in order to deliver a cost-neutral effect; and

WHEREAS, the Grants Division of Community Development Department has a vacant position of Project Manager therefore, the City Manager is recommending that we remove one (1) Project Manager and add one (1) Senior Administrative Analyst. This change will cause an annual salary savings of \$7,512; and

WHEREAS, the City Manager is recommending that we remove one vacant (1) Accounting Specialist and add one (1) Administrative Specialist in the Water Department. Both positions have the same salary range therefore, this change is cost-neutral and does not require any accounts to be amended; and

WHEREAS, the Fiscal Year 2020-2021 Adopted Budget did not allocate enough overtime funding for the Community Improvement Services in the General Fund. This overtime is needed for weekend patrolling and special details. The City Manager is recommending that we transfer salary savings to fund the overtime needed; and

WHEREAS, the Fiscal Year 2020-2021 Adopted Budget did not allocate any special projects (events) funding for the Mayor and Council. Events by the Mayor and City Council promote food giveaways, district clean-ups, holiday events, and events that help the community. The City Manager is recommending that we utilize savings from the Compton Christmas Parade to be transferred to the Mayor and Council budget; and

WHEREAS, the proposed budget amendments are “cost neutral” (i.e. they do not increase or decrease net budget appropriations) and do not affect the total revenue and expenditure balances projected for the Fiscal Year 2020-2021 Budget.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON
DOES HEREBY RESOLVE AS FOLLOWS:**

SECTION 1. That the City Manager is hereby authorized to make the following budget amendments to the Fiscal Year 2020-2021 Adopted Budget for Additional Positions and Increase Level of Services:

Add Positions:

- One (1) 1.0 FTE Administrative Specialist
- One (1) 1.0 FTE Senior Administrative Analyst

Delete Positions:

- One (1) 1.0 FTE Project Manager
- One (1) 1.0 FTE Accounting Specialist

SECTION 2. That the City Manager is hereby authorized to make the following budget amendments to the Fiscal Year 2020-2021 Adopted Budget for Community Improvement Services Overtime Additional Funding:

Increase Budget Accounts:

• 1001-670-000-4171	Overtime	\$ 25,000.00
	Total	\$ 25,000.00

Decrease Budget Accounts:

• 1001-620-000-4101	Salary Savings	\$ 12,500.00
• 1001-780-BSF-4101	Salary Savings	\$ 12,500.00
	Total	\$ 25,000.00

SECTION 3. That the City Manager is hereby authorized to make the following budget amendments to the Fiscal Year 2020-2021 Adopted Budget for Mayor & Council Additional Funding:

Increase Budget Accounts:

• 1001-400-C01-4238	Special Projects	\$ 5,000.00
• 1001-400-C02-4238	Special Projects	\$ 5,000.00
• 1001-400-C03-4238	Special Projects	\$ 5,000.00
• 1001-400-C04-4238	Special Projects	\$ 5,000.00
• 1001-400-C05-4238	Special Projects	\$ 5,000.00
	Total	\$ 25,000.00

Decrease Budget Accounts:

• 1001-610-000-4238	Special Projects	\$ 25,000.00
	Total	\$ 25,000.00

SECTION 4. That all changes are to take effect on adoption of this Resolution.

SECTION 5. That a certified copy of this Resolution shall be filed in the Offices of the City Clerk, City Manager and City Controller.

SECTION 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

Resolution No. _____
Page 3

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor, and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

AYES:	COUNCIL MEMBERS-
NOES:	COUNCIL MEMBERS-
ABSENT:	COUNCIL MEMBERS-
ABSTAIN:	COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY CLERK

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON CALLING FOR THE HOLDING OF AN ALL MAIL BALLOT ELECTION FOR THE PRIMARY NOMINATING ELECTION TO BE HELD ON APRIL 20, 2021 AND GENERAL MUNICIPAL ELECTION TO BE HELD ON JUNE 1, 2021, RESPECTIVELY, OF CERTAIN MUNICIPAL OFFICERS

SUMMARY

If adopted, this resolution authorizes the holding of an all-mail ballot for the primary nominating and general municipal elections scheduled to be held April 20, 2021 and June 1, 2021.

BACKGROUND

The Compton City Charter Section 1301 requires primary nominating elections to be held on the third Tuesday in April in odd years. The City's next municipal election is scheduled for April 20, 2021. The Compton City Charter Section 1302 requires general municipal elections to be held on the first Tuesday in June in each odd-numbered year. The City's next municipal election is scheduled for June 1, 2021. On October 6, 2020, the City adopted Ordinance No. 2325, authorizing the City Council, by resolution, to have municipal elections conducted wholly by mail ballots.

STATEMENT OF ISSUE

Staff is proposing that the City Council authorize an all-mail ballot system for these upcoming elections on April 20, 2021 and June 1, 2021. Staff's recommendation is based on two reasons: 1) In light of the COVID-19 pandemic an all-mail ballot system will reduced the need for gatherings at polls for the day of the election; and 2) the COVID-19 pandemic has also created an economic shortfall during this fiscal year and an all-mail ballot system is less expensive than a traditional election with polling locations.

An all-mail ballot election will include pre-stamped ballots for voter convenience and ballots can be given to the mail carrier, dropped off at a Post Office or dropped off at one of the permanent drop off locations. Current drop off boxes are located at Lueders Park (1500 Rosecrans Avenue), Compton Library (240 W. Compton Blvd.) and East Rancho Dominguez Library (4420 E. Rose Street). Staff will propose additional drop locations to Los Angeles County.

All-Mail Election – Staff Report
December 8, 2020
Page 2

Los Angeles County estimates the cost to assist the City of Compton with election services and supplies is Three Hundred Eighty-Five Thousand Dollars (\$385,000) per election. Staff estimates an additional Fifty Thousand Dollars (\$50,000) for unforeseen expenses, and for the cost, if any, of adding additional drop boxes in the City, if approved by Los Angeles County.

FISCAL IMPACT

That the funds for this expenditure will be available in the 2020-2021 Fiscal Year Budget in the following accounts:

1001-480-000-4262	City Clerk Department (General Fund)	\$265,000.00
1004-610-000-4269	Non-Departmental (Measure P)	<u>\$555,000.00</u>
TOTAL		\$820,000.00

RECOMMENDATION

It is the recommendation of staff that the City Council adopt the attached Resolution.

ALITA GODWIN, MMC
CITY CLERK

APPROVED FOR FORWARDING:

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
CALLING FOR THE HOLDING OF AN ALL MAIL BALLOT ELECTION FOR
THE PRIMARY NOMINATING ELECTION TO BE HELD ON APRIL 20,
2021 AND GENERAL MUNICIPAL ELECTION TO BE HELD ON JUNE 1,
2021, RESPECTIVELY, OF CERTAIN MUNICIPAL OFFICERS**

WHEREAS, under the provisions of Compton City Charter Section 1301 a primary nominating election shall be held on April 20, 2021; and

WHEREAS, under the provisions of Compton City Charter Section 1302 a general municipal election shall be held on June 1, 2021; and

WHEREAS, on October 6, 2020, the City adopted Ordinance No. 2325, authorizing the City Council, by resolution, to conduct municipal elections wholly by mail ballots; and

WHEREAS, all-mail ballot elections are less expensive than traditional elections with polling locations; and

WHEREAS, in light of the current COVID-19 pandemic, an all-mail ballot election will reduce the need for gatherings at polls on the day of the elections; and

WHEREAS, all-mail elections also allow participants to vote prior to election day and vote in the privacy of their homes.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES
HEREBY RESOLVE AS FOLLOWS:**

Section 1. That pursuant to the requirements of Compton City Charter Section 1301 and 1302, and Ordinance No. 2325, there is called and ordered to be held in the City of Compton, California, on Tuesday, April 20, 2021, a Primary Nominating Election and on Tuesday, June 1, 2021, a General Municipal Election, conducted by all mail ballots for the purpose of electing a Mayor for the full term of four years; District 2 and District 3 City Council members to a full term of four years; a City Clerk for the full term of four years; a City Treasurer for the full term of four years; and a City Attorney for the full term of four years.

Section 2. That the ballots to be used at the election shall be in form and content as required by law.

Section 3. That the funds for this expenditure will be available in the 2020-2021 Fiscal Year Budget in the following accounts:

1001-480-000-4262	City Clerk Department (General Fund)	\$265,000.00
1004-610-000-4269	Non-Departmental (Measure P)	<u>\$555,000.00</u>
TOTAL		\$820,000.00

Section 4. That the City Clerk is authorized, as the City of Compton's Election Official, to procure and furnish any and all official ballots, notices, printed matter and all supplies, equipment and paraphernalia that may be necessary in order to properly and lawfully conduct the election by all mail ballot.

Section 5. That a certified copy of this Resolution shall be filed in the offices of the City Manager, the City Attorney, the City Controller and the City Clerk of the City of Compton.

RESOLUTION NO. _____
PAGE 2

Section 6. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Alita Godwin, Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the ____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY CLERK

SUBJECT: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON CALLING FOR THE HOLDING OF A PRIMARY NOMINATING ELECTION AND A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, APRIL 20, 2021 AND TUESDAY, JUNE 1, 2021, RESPECTIVELY, FOR THE ELECTION OF CERTAIN OFFICERS AS REQUIRED BY THE PROVISIONS OF THE CITY CHARTER

SUMMARY

The City Council will consider adopting an ordinance calling for the holding of a Primary Nominating Election and a General Municipal Election to be held on Tuesday, April 20, 2021, and Tuesday, June 1, 2021, respectively, for certain officers.

BACKGROUND

Article XIII of the Compton City Charter provides that Primary Nominating Elections shall be held on the third Tuesday in April in each odd-numbered year and that General Municipal Elections shall be held on the first Tuesday in June in each odd-numbered year for the purpose of nominating and/or electing officers of the City to fill vacancies and expiring terms in the elective offices.

STATEMENT OF ISSUE

The current terms of the elective offices of Mayor, Council District 2, Council District 3, City Attorney, City Clerk and City Treasurer will expire June 30 2021; thus, the City will hold its 2021 Primary Nominating Election on April 20, 2021 and the General Municipal Election on June 1, 2021.

ALTERNATIVE

The adoption of the attached is required in order for the aforementioned elections to take place.

FISCAL IMPACT

That the funds for this expenditure will be available in the 2020-2021 Fiscal Year Budget in the following accounts:

Staff Report – Calling for Election

December 8, 2020

Page 2

1001-480-000-4262	City Clerk Department (General Fund)	\$ 265,000.00
1004-610-000-4269	Non-Departmental (Measure P)	<u>\$1,305,000.00</u>
TOTAL		\$1,570,000.00

RECOMMENDATION

It is recommended that this Ordinance be adopted. As an ordinance calling for an election, it shall take effect immediately upon adoption.

ALITA L. GODWIN, MMC
CITY CLERK

APPROVED FOR FORWARDING:

CRAIG J. CORNWELL
CITY MANAGER

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON
CALLING FOR THE HOLDING OF A PRIMARY NOMINATING ELECTION
AND A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY,
APRIL 20, 2021 AND TUESDAY, JUNE 1, 2021, RESPECTIVELY, FOR THE
ELECTION OF CERTAIN OFFICERS AS REQUIRED BY THE PROVISIONS
OF THE CITY CHARTER**

WHEREAS, under the provisions of the Compton City Charter, a Primary Nominating Election shall be held on Tuesday, April 20, 2021, and a General Municipal Election shall be held on Tuesday, June 1, 2021, for the election of Municipal Officers; and

WHEREAS, the current terms of the elective offices of Mayor, Council District 2, Council District 3, City Attorney, City Clerk and City Treasurer, will expire on June 30, 2021; and

WHEREAS, Section 611 of the Compton City Charter provides that an ordinance calling or otherwise relating to an election shall take effect upon adoption.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF
COMPTON DOES HEREBY ORDAIN AS FOLLOWS:**

SECTION 1. That the City Council of the City of Compton does hereby find, determine and declare as follows:

- (a) That pursuant to the provisions of the Compton City Charter, a Primary Nominating Municipal Election and a General Municipal Election will be held in this City on Tuesday, the 20th day of April, 2021, and Tuesday, the 1st day of June, 2021, respectively, for the purpose of nominating and/or electing certain Municipal officers; and
- (b) That the officers to be nominated and/or elected at said election are as follows:

Mayor for the full term of four (4) years;

Member of the City Council for District Number 2 of said City, for a full term of four (4) years;

Member of the City Council for District Number 3 of said City, for a full term of four (4) years;

City Attorney for a full term of four (4) years;

City Clerk for a full term of four (4) years; and

City Treasurer for a full term of four (4) years.

SECTION 2. That the ballots to be used at the election shall be in form and content as required by law.

SECTION 3. That the City Clerk is authorized, instructed and directed to procure and furnish any and all official ballots, notices, printed matter and all supplies, equipment that may be necessary in order to properly and lawfully conduct the election.

SECTION 4. That pursuant to Elections Code 12310, a stipend for services for the persons named as precinct board members is fixed at the sum of \$150.00 for each Inspector and \$100.00 for each Clerk for the elections. In addition, the sum of

ORDINANCE NO. _____

Page 2

\$25.00 will be given to each precinct board member to attend a training class and the sum of \$50.00 to be given to each inspector to pick up and return the precinct supplies. The rental for each polling place, where a charge is made, shall be the sum of \$25.00 for the election. When required, the compensation of the Custodian of a building shall be \$25.00 for the election.

SECTION 5. That in all particulars not recited in this ordinance, the election shall be held and conducted as provided by law for holding municipal elections.

SECTION 6. That notice of the time and place of holding the election is given and the City Clerk is authorized to give further or additional notice of the election, in time, form and manner as required by law.

SECTION 7. That in the event of a tie vote as certified by the Election Official, the City Council, shall set a date and time and place and summon the candidates who have received the tie votes to appear and will determine the tie by lot.

SECTION 8. That for the purpose of said election, above described, twenty-eight (28) precincts shall be established (See attachment Exhibit A of proposed precinct locations, which are subject to change.

SECTION 9. That the polls for the election shall be open at 7:00 a.m. of the day of the election and shall remain open continuously from the time until 8:00 p.m. of the same day when the polls shall be closed, pursuant to Election Code 10242, except as provided in 14401 of the Elections Code of the State of California.

SECTION 10. That the funds for this expenditure will be available in the 2020-2021 Fiscal Year Budget in the following accounts:

1001-480-000-4262	City Clerk Department (General Fund)	\$ 265,000.00
1004-610-000-4269	Non-Departmental (Measure P)	<u>\$1,305,000.00</u>
TOTAL		<u>\$1,570,000.00</u>

SECTION 11. That this Ordinance shall take effect immediately upon adoption.

SECTION 12. That the Mayor shall sign and the City Clerk shall certify to the adoption of this Ordinance and shall cause the same to be published according to law.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON ss

ORDINANCE NO. _____
Page 3

I, Alita L. Godwin, City Clerk of the City of Compton, hereby certify that the foregoing ordinance was duly adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Ordinance was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

**PROPOSED
EXHIBIT “A”
TOTAL NUMBER OF PRECINCTS: 28**

Voting Precinct 1, comprising regular election precinct Number 1. The polling place is the **Compton Neighborhood Center 600 N. Alameda**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 3, comprising regular election precinct Number 3, 34 and 118. The polling place is **Tibby Elementary School** located at **1400 W. Poplar**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 4, comprising regular election precinct Number 4, 22 and 144. The polling place is **Emerson Elementary School** located at **1011 E. Caldwell**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 5, comprising regular election precinct Number 5, 140 and 141. The polling place is **Kelly Park** located at **2317 E. Caldwell**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 6, comprising regular election precinct Number 6 and 7. The polling place is **Christ First Missionary Baptist Church** located at **701 N. Long Beach Blvd**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 8, comprising regular election precinct Number 8 and 305. The polling place is **First Charity Missionary Baptist Church** located at **925 E. Rosecrans**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 9, comprising regular election precinct Number 9, 18 and 142. The polling place is **First United Methodist Church** located at **1025 S. Long Beach Blvd**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 10, comprising regular election precinct Number 10 and 45. The polling place is **Enterprise Jr. High School** located at **2600 W. Compton Blvd**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 20, comprising regular election precinct Number 20 and 43. The polling place is **The Salvation Army** located at **736 E. Compton Blvd.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 24, comprising regular election precinct Number 24, 147 and 148. The polling place is **Centennial High School** located at **2606 N. Central Avenue.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 27, comprising regular election precinct Number 27. The polling place is **McNair Elementary School** located at **1450 W. El Segundo.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 28, comprising regular election precinct Number 28. The polling place is **Willowbrook Jr. High School** located at **2601 N. Wilmington Avenue.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 30, comprising regular election precinct Number 30. The polling place is **Washington Elementary School** located at **1421 N. Wilmington.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 33, comprising regular election precinct Number 33. The polling place is **Dollarhide Center** located at **1108 N. Oleander.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 36, comprising regular election precinct Number 36 and 40. The polling place is **Davis Jr. High School** located at **621 W. Poplar.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 42, comprising regular election precinct Number 42. The polling place is **Jericho Baptist Church** located at **205 N. Culver.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 52, comprising regular election precinct Number 52, 53 and 154. The polling place is **Compton Airport** located at **901 W. Alondra Blvd.** The election officers are:

Inspector:
Clerks (4):

Voting Precinct 62, comprising regular election precinct Number 62. The polling place is **Compton High School** located at **601 S. Acacia**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 91, comprising regular election precinct Number 91. The polling place is **Bursch Elementary School** located at **2505 W. 156th Street**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 113, comprising regular election precinct Number 113, and 167. The polling place is **Tucker Park** located at **650 W. Laurel Street**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 132, comprising regular election precinct Number 132 and 133. The polling place is **residence** located at **225 E. Bennett Street**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 136, comprising regular election precinct Number 136 and 164. The polling place is **Heavenly Rest Baptist Church** located at **1715 N. Bullis Road**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 137, comprising regular election precinct Number 137, 138 and 149. The polling place is **Roosevelt Elementary School** located at **700 N. Bradfield**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 152, comprising regular election precinct Number 152 and 160. The polling place is **Caldwell Elementary School** located at **2300 W. Caldwell**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 153, comprising regular election precinct Number 153 and 163. The polling place is **Kennedy Elementary School** located at **1305 S. Oleander**. The election officers are:

Inspector:
Clerks (4):

Voting Precinct 155, comprising regular election precinct Number 155.
The polling place is **Walton Jr. High School** located at **800 W. Greenleaf**. The
election officers are:

Inspector:
Clerks (4):

Voting Precinct 157, comprising regular election precinct Number 157.
The polling place is **Longfellow Elementary School** located at **1101 S. Dwight**.
The election officers are:

Inspector:
Clerks (4):

Voting Precinct 300, comprising regular election precinct Number 300.
The polling place is **Willard Elementary School** located at **310 E. El Segundo
Blvd**. The election officers are:

Inspector:
Clerks (4):

December 8, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY CLERK

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES TO RENDER ELECTION SERVICES TO THE CITY RELATING TO THE CONDUCT OF AN ALL-MAIL PRIMARY NOMINATING AND GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, APRIL 20, 2021 AND JUNE 1, 2021, RESPECTIVELY

SUMMARY

The City Council will consider adopting a resolution that will request that the Los Angeles County Board of Supervisors render services to the City in the conducting of the primary nominating and general municipal elections to be held Tuesday, April 20, 2021 and June 1, 2021.

BACKGROUND

Article XIII of the Compton City Charter provides that Primary Nominating Elections shall be held on the third Tuesday in April in each odd-numbered year and that General Municipal Elections shall be held on the first Tuesday in June in each odd-numbered year for the purpose of electing officers of the City to fill vacancies and expiring terms in the elective offices.

The current terms of the elective offices of Mayor, Council District 2, Council District 3, City Attorney, City Clerk and City Treasurer will expire June 30, 2021.

STATEMENT OF ISSUE

Section 10002 of the *California Elections Code* authorizes the governing body, by resolution, of any city to request the Board of Supervisors of the county to permit the county elections official to render specified services to the city.

FISCAL IMPACT

It is anticipated that the costs of conducting these elections is estimated at \$820,000 [All Mail Elections] or \$1,570,000.00 [Polling Place Elections]. This resolution authorizes the Board of Supervisors of the County of Los Angeles to render election services. A separate resolution will authorize funding for the City to reimburse the County for services performed after the election is completed and upon presentation of approved invoice.

**Staff Report – Resolution Board of Supervisors
Conducting an All-Mail Primary Election
December 8, 2020
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RECOMMENDATION

It is recommended that the attached Resolution be adopted.

**ALITA L. GODWIN, MMC
CITY CLERK**

APPROVED FOR FORWARDING:

**CRAIG J. CORNWELL
CITY MANAGER**

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES TO RENDER ELECTION SERVICES TO THE CITY RELATING TO THE CONDUCT OF AN ALL-MAIL PRIMARY NOMINATING AND GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, APRIL 20, 2021 AND JUNE 1, 2021, RESPECTIVELY

WHEREAS, a Primary Nominating and General Municipal Election is to be held in the City of Compton, California, on April 20, 2021 and June 1, 2021; and

WHEREAS, in the course of conduct of the election it is necessary for the City to request election services of the County as directed by the City’s Election Official; and

WHEREAS, all necessary expenses in performing these services shall be paid by the City of Compton.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That pursuant to the provisions of 10002 of the Elections Code of the State of California, this City Council requests the Board of Supervisors of the County to permit the County Election Department to render election services to the City in conducting the election.

SECTION 2. That the City shall reimburse the County for services performed when the work is completed and upon presentation to the City of a properly approved bill.

SECTION 3. That the City Clerk is directed to forward without delay to the Board of Supervisors and to the County Election Department, each a certified copy of this Resolution.

SECTION 4. That the funds have been budgeted for the election.

SECTION 5. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

RESOLUTON NO. _____
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I, Alita L. Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

December 8, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON MAKING CERTAIN FINDINGS, AND APPROVING A PURCHASE AND SALE AGREEMENT BETWEEN THE CITY OF COMPTON AS BUYER, AND THE PRISM REALTY CORPORATION, INFILL PROPERTY PARTNERS II, LLC, AND EFT LOT 14, LLC, COLLECTIVELY, AS SELLER, FOR THE SALE OF PROPERTY LOCATED IN THE CITY AND FINDING THAT THE CITY'S PURCHASE OF THE PROPERTY IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

SUMMARY

Staff respectfully requests the City Council adopt a Resolution approving the City Council's execution and delivery of a Purchase and Sale Agreement and Escrow Instructions (the "Purchase Agreement") by and between the City of Compton (the "City") and Prism Realty Corporation, Infill Property Partners II, LLC, and EFT Lot 14, LLC (collectively, the "Seller"), making certain findings, and finding the project exempt from the California Environmental Quality Act.

BACKGROUND

The property subject to the Purchase Agreement is an approximately 1.12 acre parcel located at Gateway Towne Center in the City (the "Property"). The City is acquiring the land for public access and road purposes, and all uses necessary or convenient thereto. The City extended to Seller a written offer dated August 28, 2020 pursuant to Government Code Section 7267.2 to purchase the Property in fee for a public use, namely for public access and road purposes, and all uses necessary or convenient thereto. As of October 2, 2020, the parties had not reached a negotiated agreement. Accordingly, on October 2, 2020, the City sent to Seller a notice pursuant to Code of Civil Procedure Section 1245.235 advising Seller of the City's intent to consider the adoption of a resolution of necessity for the acquisition in fee of the Property pursuant to the Eminent Domain Law. The City continued the date of the hearing for the consideration of the adoption of a resolution of necessity to allow the parties additional time to negotiate the City's purchase of the Property. The parties wish to avoid the costs of litigation and delays associated with the condemnation of the Property and have agreed to the City's purchase of the Property pursuant to the terms of the Purchase Agreement in lieu of condemnation.

STATEMENT OF THE ISSUE

The City and the Seller desire to enter into the Purchase Agreement. By adopting the attached Resolution, the Council will approve the execution and delivery of the Purchase Agreement in substantially the form attached to the Resolution as Exhibit "A", and find that the project is exempt from the California Environmental Quality Act.

The Purchase Agreement generally provides for the City's acquisition of the Property upon payment of a purchase price of One Million Seven Hundred Seventy-Five Thousand Dollars (\$1,775,000.00) (the "Purchase Price"), shared escrow charges, and an amount of Four Thousand Five Hundred Dollars (\$4,500.00) in reimbursement to the Seller for the cost of the appraisal establishing the fair market value of the Property (and the Purchase Price), and dated May 26, 2020. The City has a thirty (30) day period from the date of the Purchase Agreement to examine and satisfy itself as to the status of title and physical condition of the Property. The City may terminate the Purchase Agreement anytime within such thirty (30) day period.

The resolution also contains a finding that the project is exempt from CEQA pursuant to Section(s) Section 15061(b)(3) of the State CEQA Guidelines.

FISCAL IMPACT

There is no General Fund impact for the approval of this resolution. There are funds available within the City's Housing Successor Agency fiscal year 2020-2021 budget in account no. 1202-910-000-4391.

RECOMMENDATION

That the City Council adopt the attached resolution approving the execution and delivery of the Purchase and Sale Agreement by and between the City and the Seller, making certain findings, and finding the project exempt from the California Environmental Quality Act.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON MAKING CERTAIN FINDINGS, AND APPROVING A PURCHASE AND SALE AGREEMENT BETWEEN THE CITY OF COMPTON AS BUYER, AND THE PRISM REALITY CORPORATION, INFILL PROPERTY PARTNERS II, LLC, AND EFT LOT 14, LLC, COLLECTIVELY, AS SELLER, FOR THE SALE OF PROPERTY LOCATED IN THE CITY AND FINDING THAT THE CITY’S PURCHASE OF THE PROPERTY IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

WHEREAS, the City wishes to acquire an approximately 1.12 acre parcel located at Gateway Towne Center in the City, and more particularly described in Exhibit A to the Purchase and Sale Agreement and Escrow Instructions described below (the “Site”), for public access and road purposes, and all uses necessary or convenient thereto;

WHEREAS, the City extended to Prism Reality Corporation, Infill Property Partners II, LLC, and EFT Lot 14, LLC, as Seller, a written offer dated August 28, 2020 pursuant to Government Code Section 7267.2 to purchase the Site in fee for a public use, namely for public access and road purposes, and all uses necessary or convenient thereto. As of October 2, 2020, the parties had not reached a negotiated agreement. Accordingly, on October 2, 2020, the City sent to Seller a notice pursuant to Code of Civil Procedure Section 1245.235 advising Seller of the City’s intent to consider the adoption of a resolution of necessity for the acquisition in fee of the Site pursuant to the Eminent Domain Law. The City continued the date of the hearing for the consideration of the adoption of a resolution of necessity to allow the parties additional time to negotiate the City’s purchase of the Site. The parties wish to avoid the costs of litigation and delays associated with the condemnation of the Site and have agreed the City’s purchase of the Site pursuant to the terms of the Purchase and Sale Agreement in lieu of condemnation;

WHEREAS, the City proposes to enter into a Purchase and Sale Agreement and Escrow Instructions (the “PSA”) with Seller, for the purchase of the Site from the Seller; and

WHEREAS, there is no General Fund impact for the approval of this resolution. There are funds available within the City’s Housing Successor Agency fiscal year 2020-2021 budget in account no. 1202-910-000-4391; and

WHEREAS, pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, the activity, the purchasing of vacant land by the City of Compton, is covered by the general rule that CEQA applies only to projects, which have the potential for causing significant effect on the environment. Whereas it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the above recitals are all true and correct.

Section 2. That the City Council finds the project exempt from CEQA, pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, the activity, the purchasing of vacant land by the City of Compton, is covered by the general rule that CEQA applies only to projects, which have the potential for causing significant effect on the environment and hereby directs staff to file a notice of exemption with the County Clerk.

Section 3. That the City Manager is hereby authorized to execute the PSA between the City and the Seller in substantially the form attached hereto as Exhibit “A”, with such changes thereto as the City Manager and counsel to the City agree are required or appropriate to carry out the intent of this Resolution.

That the PSA shall authorize a purchase price of One Million Seven Hundred Seventy-Five Thousand Dollars (\$1,775,000.00) (the “Purchase Price”), shared escrow

Section 4. charges, and an amount of Four Thousand Five Hundred Dollars (\$4,500.00) in reimbursement to the Seller for the cost of the appraisal establishing the fair market value of the Property (and the Purchase Price), and dated May 26, 2020.

Section 5. That the City has a thirty (30) day period from the date of the Purchase Agreement to examine and satisfy itself as to the status of title and physical condition of the Property. The City may terminate the Purchase Agreement anytime within such thirty (30) day period.

Section 6. That funds for this expenditure are available within the City's Housing Successor Agency fiscal year 2020-2021 budget in Account No. 1202-910-000-4391.

Section 7. That the City Manager, or his designee, are hereby authorized, jointly and severally, to execute and deliver any and all necessary documents and instruments, and to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the PSA, and any such actions previously taken are hereby ratified and confirmed.

ADOPTED this _____ day of _____, 2020.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Alita L. Godwin, City Clerk of the City of Compton, do hereby certify that the foregoing resolution was adopted by the City Council, signed by the Mayor, and attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said resolution was adopted by the following vote, to wit:

AYES: **Council Members-**
NOES: **Council Members-**
ABSENT: **Council Members-**
ABSTAIN: **Council Members-**

CITY CLERK OF THE CITY OF COMPTON

Exhibit A – Purchase and Sale Agreement between Prism and City Compton

EXHIBIT “A”

[Purchase and Sale Agreement]

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS
[LOT 14]

This Purchase and Sale Agreement and Escrow Instructions (this “**Agreement**”) is made and entered into as of _____, 2020 (the “**Effective Date**”), by and among the **CITY OF COMPTON**, a municipal corporation (the “**Buyer**”), and **PRISM REALTY CORPORATION**, a California corporation, as to an undivided 3% interest, **INFILL PROPERTY PARTNERS II, LLC**, a California limited liability company, as to an undivided 74% interest, and **EFT LOT 14, LLC**, a California limited liability company, as to an undivided 23% interest, all as tenants-in-common (collectively, the “**Seller**”), with respect to the following facts:

RECITALS

A. Seller is the owner of and desires to sell to Buyer:

(a) that certain real property situated in the City of Compton, County of Los Angeles, State of California, more particularly described on **Exhibit A** attached hereto and made a part hereof, together with all of the interest of Seller in any and all rights and appurtenances pertaining to such property, including any right, title and interest of Seller in and to adjacent streets, alleys or rights-of-way (collectively, the “**Land**”); and

(b) the buildings, structures, fixtures and other improvements, if any, on the Land (collectively, the “**Improvements**”); and

(c) The Land and the Improvements are hereinafter sometimes referred to collectively herein as the “**Property**.”

B. Buyer desires to purchase the Property from Seller.

C. By this Agreement, Seller is agreeing to sell the Property to Buyer upon and subject to the terms and conditions set forth herein.

D. Buyer extended to Seller a written offer dated August 28, 2020 pursuant to Government Code Section 7267.2 to purchase in fee the Property for a public use, namely for public access and road purposes, and all uses necessary or convenient thereto. Buyer rejected that offer.

E. The parties acknowledge that Buyer is authorized to acquire real property by eminent domain for a public use, including for public access and road purposes, and all uses necessary or convenient thereto pursuant to the authority conferred upon Buyer by California Constitution Article 1, Section 19, California Government Code Sections 37350, 37350.5, 37351, 40401 and 40404 and California Code of Civil Procedure Section 1230.010 et seq. (Eminent Domain Law). The Project is a public use for which Buyer has the authority to exercise the power of eminent domain. The City Council of the City of Compton, as City’s governing body, has sole discretion to make the findings required by Code of Civil Procedure Section 1240.030 for the adoption of a resolution of necessity pursuant to the Eminent Domain Law. (Code of Civil Procedure Section 1245.220).

F. On October 2, 2020, Buyer sent to Seller a notice pursuant to Code of Civil Procedure Section 1245.235 advising Buyer of the City's intent to consider the adoption of a resolution of necessity for the acquisition in fee of the Property pursuant to the Eminent Domain Law. Buyer and Seller wish to avoid the costs of litigation and delays associated with the condemnation of the Property by entering into this Agreement in lieu of condemnation.

NOW, THEREFORE, in consideration of the terms and conditions of this Agreement and for other valuable consideration, the receipt of which is hereby acknowledged, the Buyer and Seller agree as follows:

1. Purchase and Sale. Subject to and in accordance with the terms and conditions hereinafter set forth, on the Close of Escrow (as defined in Section 2), Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property.

2. Opening and Closing of Escrow. Within five (5) days after the Effective Date, an escrow (the "**Escrow**") shall be opened with First American Title Insurance Company (the "Escrow Holder"), 18500 Von Karman Avenue, Suite 600, Irvine, CA 92612, Attention: Patty Beverly, Vice President, Senior Advisor, Telephone: (949) 885-2465, Email: pbeverly@firstam.com (the "**Opening of Escrow**"). Upon the Opening of Escrow, the parties hereto shall deposit a fully executed original of this Agreement with Escrow Holder and this Agreement shall serve as the instructions to Escrow Holder for consummation of the transactions contemplated hereby. Seller and Buyer agree to execute such additional and supplementary escrow instructions as may be appropriate to enable Escrow Holder to comply with the terms of this Agreement; provided, however, that in the event of any conflict between the terms and provisions of this Agreement and the terms and provisions of any supplementary escrow instructions, the terms and provisions of this Agreement shall control. The "**Close of Escrow**" or "**Closing**" shall be the date that a grant deed for the Property in favor of Buyer is recorded in the Official Records of the Los Angeles County Recorder's Office, and is scheduled to occur on the first business day that is at least forty-five (45) calendar days after the expiration of the Due Diligence Period (as defined in Section 9). Promptly after the expiration of the Due Diligence Period, Escrow shall confirm the date of the scheduled Close of Escrow to the parties. The Close of Escrow shall occur no later than three months after the expiration of the Due Diligence Period (the "**Closing Date**").

3. Purchase Price; Deposit; Escrow Account.

(a) The purchase price for the Property to be paid by Buyer is the sum of One Million Seven Hundred Seventy-Five Thousand Dollars (\$1,775,000.00) (the "**Purchase Price**").

(b) Within three (3) business days after the Effective Date, Buyer shall deliver to Escrow Holder an earnest money deposit in the amount of Twenty Thousand Dollars (\$20,000.00) (the "**Deposit**") in the form of a cashier's check, by a federal wire transfer, or other form acceptable to the Escrow Holder. The Deposit shall be placed in an interest-bearing bank account (the "**Escrow Account**") and all interest accruing thereon shall increase and become a part of the Deposit. On the Close of Escrow, the Deposit shall be applied toward the cash payment of the Purchase Price. The remaining balance of the cash payment of the Purchase Price shall be payable by Buyer in the form of a cashier's check, federal wire transfer, or other form

acceptable to Seller and the Escrow Holder and placed in the Escrow Account no later than one (1) business day prior to the Close of Escrow. In the event that Buyer terminates this Agreement by written notice to Seller on or prior to the expiration of the Due Diligence Period in accordance with the terms and provisions hereof, the Deposit shall be refunded to Buyer, less any and all cancellation fees charged by the Escrow Holder and/or Title Company. Upon the expiration of the Due Diligence Period, if this Agreement has not been terminated or deemed terminated as provided herein, the Deposit shall become non-refundable and shall be applied toward the Purchase Price at the Close of Escrow or released to and retained by Seller if the Close of Escrow does not occur as the result of (i) a default by Buyer or (ii) Buyer's termination of this Agreement (except in the event of a default by Seller or the failure of a condition precedent to Buyer's obligations under this Agreement as provided in Section 12).

4. Delivery of Documents on the Close of Escrow.

(a) On the Close of Escrow, Seller covenants and agrees to cause to be delivered to Buyer a duly executed and acknowledged Grant Deed in the form attached as **Exhibit B** hereto (the "**Grant Deed**") conveying to Buyer all of Seller's interest in the Property subject only to the Permitted Title Exceptions (as defined in Section 5) approved by Buyer, as provided below.

(b) At the Close of Escrow, Buyer shall receive the Title Policy (as defined in Section 5) issued by First American Title Insurance Company (the "**Title Company**"), 18500 Von Karman Avenue, Suite 600, Irvine, CA 92612, Attn: Michael Brinkman, Commercial Title Officer, Telephone: (949) 885-2401, Email: mbrinkman@firstam.com, insuring in Buyer fee simple title to the Property, free and clear of all liens and encumbrances other than the Permitted Title Exceptions (as defined in Section 5).

5. Title and Title Insurance.

(a) Within five (5) days after the Effective Date, Seller shall deliver to Buyer a preliminary title report for the Property from Title Company together with copies of all instruments noted as exceptions therein (the "**Preliminary Title Report**"). Buyer shall have the option of ordering, at its cost, an ALTA survey for the Property, (the "**Survey**"); provided, however, that Buyer's receipt and/or approval of the Survey shall not in any event delay the Close of Escrow beyond the Closing Date.

(b) Buyer shall have until the expiration of the Due Diligence Period to disapprove any exceptions to title shown on the Preliminary Title Report or reflected on the Survey (collectively, "**Disapproved Exceptions**") and to provide Seller with notice of disapproval in writing describing the defect with reasonable particularity (the "**Disapproval Notice**"). Any exceptions to title not disapproved by Buyer within such period shall be deemed approved. Within five (5) business days of Seller's receipt of a Disapproval Notice, Seller shall have the right, but not the obligation, to notify Buyer in writing that Seller intends to remove the Disapproved Exceptions. If Seller notifies Buyer of an intention to eliminate the Disapproved Exceptions, Seller shall do so concurrently with or prior to the Close of Escrow. If Seller does not elect to remove any of the Disapproved Exceptions, Buyer, by notifying in writing Seller within three (3) business days after the expiration of Seller's election period, may elect to

terminate this Agreement or to take the Property subject to the Disapproved Exceptions. In any event, Seller covenants to pay in full all loans secured by mortgages and deeds of trust encumbering the Property and to remove any mechanics liens and any other monetary liens encumbering the Property (other than current real property taxes and assessments which are not due and payable) prior to or concurrently with the Close of Escrow; provided, however, Seller shall have the right to bond over mechanic's liens so long as such bond is reasonably acceptable in form and substance to the Buyer and is sufficient to allow the Title Company to insure over such liens in the Title Policy (defined below). The Title Policy shall include such endorsements as Buyer shall reasonably request and which Title Company agrees to issue on or before the expiration of the Due Diligence Period. Any title policy endorsements are to be paid for by Buyer. Whether or not Buyer shall have furnished to Seller any Disapproval Notice pursuant to the foregoing provisions of this Agreement, Buyer may, at or prior to the Close of Escrow, notify Seller in writing of any objections to title first raised by the Title Company between (a) the last date on which Buyer is entitled to make such an objection as set forth above and (b) the date on which the transaction contemplated herein is scheduled to close. With respect to any Disapproved Exceptions set forth in such notice, Seller shall have the same option to cure (or in the case of a monetary lien, the obligation to obtain the removal or bonding thereof as provided above) and Buyer shall have the same option to accept title subject to such matters or to terminate this Agreement as those which apply to any notice of Disapproved Exceptions made by Buyer before the expiration of the Due Diligence Period.

(c) Buyer's obligation to consummate the purchase contemplated by this Agreement is conditioned upon the irrevocable commitment by the Title Company, issued on or before the expiration of the Due Diligence Period, and reconfirmed not later than one (1) business day prior to the Close of Escrow, to issue a CLTA Standard Coverage Owner's Policy of Title Insurance in the amount of the Purchase Price, issued by Title Company (the "**Title Policy**"). The Title Policy shall insure Buyer's fee interest in the Property subject only to the following permitted conditions of title (the "**Permitted Title Exceptions**"):

(i) General and special real property taxes and assessments for the then current tax fiscal year which are a lien not then due and payable;

(ii) The applicable zoning, building and development regulations of any municipality, county, state or federal jurisdiction affecting the Property;

(iii) Such other exceptions listed in the Preliminary Title Report that have been approved, or been deemed approved, by Buyer as provided in Section 5(b); and

(iv) Any exceptions directly or indirectly caused by Buyer or Buyer's agents, employees or contractors.

At Buyer's election and cost, Buyer may cause the Title Company to provide Buyer with an ALTA Extended Coverage Owner's Policy. Notwithstanding the foregoing, Buyer's receipt of an ALTA policy shall only be a condition to closing provided that Buyer pays the cost of the ALTA policy in excess of the cost of a CLTA policy and Buyer obtains an ALTA survey acceptable to the Title Company prior to the expiration of the Due Diligence Period. Seller shall

not encumber the Property during the period from the Effective Date to the Close of Escrow or the date of the termination of this Agreement.

6. Deposit of Documents and Funds in Escrow.

(a) Seller and Buyer, as applicable, hereby covenant and agree to deliver to Escrow Holder at least one (1) business day prior to the Close of Escrow (or at such other time as herein provided) the below listed instruments, documents, and funds, the delivery of each of which shall be a condition of the Close of Escrow.

(b) Seller shall deliver, or cause to be delivered:

(i) The Grant Deed duly executed and acknowledged by Seller;

(ii) A Withholding Exemption Certificate Form 593-C as contemplated by California Revenue and Taxation Code §18662 (the “**Withholding Affidavit**”) duly executed by Seller;

(iii) A Certification of Non-Foreign Status in accordance with Internal Revenue Code Section 1445 duly executed by Seller;

(iv) Such proof of Seller’s authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue the Title Policy; and

(v) The Assignment and Assumption of License Agreement in the form attached hereto as **Exhibit F**, executed by Seller (the “**Assignment**”).

(c) Buyer shall deliver:

(i) The balance of the Purchase Price together with such funds as are required to pay for costs and expenses payable by Buyer hereunder;

(ii) Such proof of Buyer’s authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue the Title Policy; and

(iii) The Assignment duly executed by Buyer.

Each of the Buyer and Seller may waive any condition of the Close of Escrow to be performed by the other and set forth in this Section 6.

7. Authorization to Record Documents and Disburse Funds. Escrow Holder is hereby authorized to record the documents and disburse the funds and distribute the documents called for hereunder upon the Close of Escrow, provided each of the following conditions has then been fulfilled:

(a) The Title Company is irrevocably committed to issue in favor of Buyer the Title Policy, with a liability in the amount of the Purchase Price, as set forth in Section 5(c).

(b) Escrow Holder shall have received Buyer's authorization to close and Buyer's notice of approval or satisfaction or waiver of all of the contingencies/conditions to Buyer's obligations hereunder, as provided for in Section 12;

(c) Escrow Holder shall have received Seller's authorization to close and Seller's notice of approval or satisfaction or waiver of all of the contingencies/conditions to Seller's obligations hereunder, as provided for in Section 13; and

(d) Seller and Buyer shall have deposited in Escrow the documents and funds required pursuant to Section 6.

Unless otherwise instructed in writing, Escrow Holder is authorized to record at the Close of Escrow any instrument delivered through this Escrow if necessary or proper for the issuance of the Title Policy.

8. Escrow Charges and Prorations.

(a) Seller shall pay (i) one-half ($\frac{1}{2}$) of the fees and charges of Escrow Holder, (ii) the cost of the premium for the CLTA Standard Coverage portion of the Title Policy, (iii) all documentary or other local transfer taxes, if any, on the transfer of the Property; and (iv) Seller's share of the charges prorated under this Agreement. If the Escrow shall fail to close due to Seller's default or a failure of a condition precedent to Buyer's obligations under this Agreement as provided in Section 12, Seller shall pay all Escrow cancellation charges.

(b) Buyer shall pay (i) one-half ($\frac{1}{2}$) of the fees and charges of Escrow Holder, (ii) the cost of the premium for the Title Policy in excess of the premium for a CLTA Standard Coverage policy, if any, (iii) the cost of all endorsements to the Title Policy, (iv) all costs and charges for the recordation of the Grant Deed, (v) Buyer's share of the charges prorated under this Agreement, (vi) four thousand five hundred dollars (\$4,500.00) to Seller to reimburse Seller for the cost of the appraisal of the Land; and (vii) all costs and expenses in connection with an ALTA Survey of the Property. If the Escrow shall fail to close due to Buyer's default or a failure of a condition precedent to Seller's obligations under this Agreement as provided in Section 13, Buyer shall pay all Escrow cancellation charges.

(c) The following shall be apportioned with respect to the Property as of 12:01 a.m., on the day on which the Close of Escrow occurs, as if Buyer were vested with title to the Property during the entire day upon which the Close of Escrow occurs: (i) taxes (including personal property taxes, if any) and assessments levied against the Property; (ii) gas, electricity and other utility charges for which Seller is liable, if any, such charges to be apportioned at the Close of Escrow on the basis of the most recent meter reading occurring prior to the Close of Escrow; and (iii) any other operating expenses or other items pertaining to the Property which are customarily prorated between a buyer and a seller in the area in which the Property is located.

(d) Notwithstanding anything contained in Section 8(c), any installment of taxes or assessments for the current year paid at or prior to the Close of Escrow shall be prorated based upon the amounts actually paid. If taxes and assessments for the current year have not been paid before the Close of Escrow, Seller shall be charged at the Close of Escrow an amount equal to that portion of such taxes and assessments which relates to the period before the Close

of Escrow and Buyer shall pay the taxes and assessments prior to their becoming delinquent. Any such apportionment made with respect to a tax year for which the tax rate or assessed valuation, or both, have not yet been fixed shall be based upon the tax rate and/or assessed valuation last fixed. To the extent that the actual taxes and assessments for the current year differ from the amount apportioned at the Close of Escrow, the parties shall make all necessary adjustments by appropriate payments between themselves following the Close of Escrow. All delinquent taxes and assessments (and any penalties therein) for periods prior to the Close of Escrow, if any, affecting the Property shall be paid by Seller.

(e) All prorations shall be determined on the basis of a 365 day year. The provisions of this Section 8 shall survive the Close of Escrow.

9. Due Diligence Period; Access. During the period commencing on the Effective Date and ending thirty (30) days thereafter (the “**Due Diligence Period**”), Buyer may inspect the Property as necessary to approve all zoning and land use matters relating to the Property and to approve the physical condition of the Property subject to the limitations set forth below.

(a) Within five (5) days after the Effective Date, Seller shall provide to Buyer, any and all of the following documents pertaining to the Property to the extent in Seller's possession or under Seller's control and to the extent dated or acquired within five (5) years prior to the Effective Date: environmental materials (as described in Section 10(a)(i) and (iv)) soils and geological testings or reports, structural engineering reports, utility contracts, service contracts, and brokerage agreements. It is understood by the parties hereto that Seller does not make any representation or warranty, express or implied, as to the accuracy or completeness of any information contained in Seller's files or in the documents produced by Seller, including without limitation, any environmental audit or report. To the extent permitted by law, Buyer shall keep all information provided by the Seller confidential and shall not disclose it to any third parties except its accountants, legal counsel, and other consultants employed in connection with its acquisition of the Property. In the event this Agreement is terminated, Buyer shall promptly return to Seller all such documentation and other information obtained from or otherwise provided by Seller. Buyer shall provide Seller with copies of all reports, test results, surveys and other written materials obtained by Buyer in connection with its investigation of the Property promptly following Buyer's receipt thereof. Buyer may terminate this Agreement in Buyer's sole and absolute discretion for any reason, or for no reason whatsoever, by giving written notice to the Seller and the Escrow on any day prior to and including the final day of the Due Diligence Period, in which event, this Agreement shall become null and void and, except as expressly set forth in this Agreement, neither party shall have any further rights, duties and obligations hereunder, and Buyer shall be entitled to the immediate refund of the Deposit.

(b) Subject to Buyer's compliance with the terms of this Section 9, Buyer and its agents, attorneys, accountants, and other representatives shall have the right, at Buyer's sole cost and expense, to enter upon the Property during the Due Diligence Period to make inspections and other examinations of the Property and the improvements thereon, including without limitation, the right to perform surveys, soil and geological tests of the Property and the right to perform environmental site assessments and studies of the Property. Buyer's physical inspection of the Property shall be conducted during normal business hours at times mutually acceptable to Buyer and Seller. Buyer shall give Seller at least 24 hours' prior notice of any

entry onto the Property and Seller shall have the right to be present during any such entry or inspections. No invasive testing or boring shall be done without the prior notification of Seller and Seller's written permission of the same, which permission may be withheld in Seller's sole and absolute discretion. Buyer shall promptly repair any damage to the Property caused by its inspections and investigations. To evidence Buyer's right of entry to the Property, the parties shall execute and deliver that certain Right of Entry Agreement attached hereto as **Exhibit C** within three (3) days following the Effective Date.

10. Warranties, Representations and Covenants of Seller. Seller hereby represents, warrants and covenants to Buyer the following, it being expressly understood and agreed that all such representations and warranties are true and correct in all material respects as of the Effective Date. If the Seller acquires additional knowledge regarding the matters which are the subject of the warranties or representations contained in this Section 10 which would cause any of such warranties or representations to be incorrect in any material respect prior to the Close of Escrow, Seller shall give prompt written notice thereof to Buyer. Within seven (7) business days following receipt of such notice, if Buyer is not then in default under this Agreement, Buyer may elect to cancel this Agreement and receive a refund of the Deposit. As of the Close of Escrow, the warranties and representations contained in this Section 10 shall be true and correct in all material respects, subject to any matters disclosed in writing by Seller to Buyer as provided herein.

(a) Hazardous Substances.

(i) To Seller's actual knowledge, except as otherwise described in **Exhibit D**, Seller has received no written notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice from any governmental entity alleging that conditions on the Property are or have been in violation of any Environmental Law (as defined in **Exhibit D**), or informing Seller that the Property is subject to investigation or inquiry regarding Hazardous Substances (as defined in **Exhibit D**) on the Property or the potential violation of any Environmental Law.

(ii) To Seller's actual knowledge, except as otherwise described in **Exhibit D**, there is no monitoring program required by the EPA (as defined in **Exhibit D**), or any similar state agency concerning the Property.

(iii) To Seller's actual knowledge, except as otherwise described in **Exhibit D**, no toxic or hazardous chemicals, waste, or substances of any kind have ever been spilled, disposed of, or stored on, under, or at the Property, whether by accident, burying, drainage, or storage in containers, tanks, or holding areas, or by any other means.

(iv) To Seller's actual knowledge, Seller has produced a list of all written information, records, reports and studies maintained by Seller or under Seller's control in connection with the Property concerning Hazardous Substances and all existing orders and directives from or agreements with any governmental agency pertaining to the environmental condition of the Property and any requests for information, documents, access or investigation pertaining thereto and such list is contained in **Exhibit D**. To the extent that certain documents

contain confidential information, Buyer shall sign a confidentiality agreement as a condition to Buyer's review of such confidential documents.

(b) Seller has full right and power to execute, deliver and perform its obligations under this Agreement, and when executed and delivered, Seller and all parties having an interest in the Property shall be lawfully bound by the terms of this Agreement. Seller is the sole owner of the Property, to Seller's actual knowledge, the Property is free and clear of all liens, claims, encumbrances, easements, or rights of way of any nature, other than those that may appear on the Preliminary Title report, and free and clear of encroachments on the Property from adjacent properties, encroachments by improvements or vegetation on the Property onto adjacent property, other than those that may appear on any Survey provided by Seller to Buyer or which Buyer otherwise obtains as described in Section 5(a). Seller shall not further transfer or encumber the Property or allow the Property to be further encumbered prior to the Close of Escrow.

(c) Except as described in Recital D, and to Seller's actual knowledge, there is no pending or threatened litigation which does or may adversely affect the Property.

(d) Neither this Agreement nor anything provided to be done hereunder including the transfer of title to the Property to Buyer, violates or shall violate, any contract, instrument, partnership agreement, trust agreement, or any other agreement to which Seller is a party, and which affects the Property or any part thereof, and the sale of the Property herein contemplated does not require the consent of any party not a signatory hereto.

(e) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code.

(f) Other than as described in the Assignment, there are no (i) assignable contracts and agreements (collectively, the "**Operating Agreements**") relating to or affecting the Property to which the Seller is a party or is obligated and pertaining to the upkeep, repair, maintenance, operation, or remediation of the Property which will survive the Close of Escrow, (ii) assignable existing warranties and guaranties (expressed or implied) issued to Seller in connection with the Improvements (collectively, the "**Intangibles**"); (iii) personal property items owned by Seller (collectively, the "**Personal Property**") on the Property; or (iv) other contracts or agreements, such as maintenance, service, or utility contracts relating to or affecting the Property to which Seller is a party or is obligated which will survive the Close of Escrow.

(g) Except as described in the Preliminary Title Report, there are no leases, licenses, occupancy agreements, or other agreements, oral or written, demising space in, providing for the use or occupancy of, or otherwise similarly affecting or relating to, the Property.

As contained in this Section 10, the phrase "to actual knowledge of" shall mean to the actual knowledge of Eric Eklund, without the necessity of independent investigation on his part.

11. Warranties, Representations and Covenants of Buyer. Buyer hereby represents, warrants and covenants to Seller the following, it being expressly understood and agreed that all such representations and warranties are true and correct in all material respects as of the Effective

Date. If Buyer acquires additional knowledge regarding the matters which are the subject of the representations or warranties contained in this Section 11 which would cause any of such representations or warranties to be incorrect in any material respect prior to the Close of Escrow, Buyer shall give prompt written notice thereof to Seller. Within seven (7) business days of receipt of such notice, Seller may elect to cancel this Agreement and Buyer shall be entitled to receive a refund of the Deposit less all Escrow cancellation charges. As of the Close of Escrow, the representations and warranties contained in this Section 11 shall be true and correct in all material respects, subject to any matters disclosed in writing by Buyer to Seller as herein provided.

(a) Buyer has the full right, power and authority to enter into this Agreement and has taken all action necessary to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement has been duly and validly authorized by Buyer, and no other action by Buyer is requisite to the valid and binding execution, delivery, and performance of this Agreement by Buyer.

(b) This Agreement and all documents executed by Buyer which are to be delivered to Seller at or prior to the Closing are, or at the time of Closing will be, duly authorized, executed, and delivered by Buyer, are or at the time of Closing, will be legal, valid and binding obligations of Buyer, enforceable in accordance with their terms, and do not and at the time of Closing will not violate any provisions of any agreement or judicial order to which Buyer is a party or to which Buyer is subject.

12. Buyer's Conditions. For the benefit of the Buyer, the Close of Escrow and Buyer's obligation to consummate the purchase of Property shall be contingent upon and subject to written notice to Escrow Holder by Buyer of the occurrence of all of the following conditions coincident and precedent (or Buyer's written waiver thereof, it being agreed that Buyer can waive any or all such contingencies) on or before the Close of Escrow:

(a) Buyer's obtaining a satisfactory commitment issued by Title Company to issue the Title Policy in favor of Buyer with a liability amount equal to the Purchase Price showing Buyer's fee interest in the Property subject only to the Permitted Title Exceptions, and being otherwise in accordance with the provisions of Section 5 of this Agreement, and expressly insuring against the claims of any persons in possession, other than Seller, of all or any part of the Property and the claims of any mechanics or materialmen.

(b) Buyer's verifying that there are no mechanics' and/or materialmen's liens, or lis pendens actions affecting the Property, and that all taxes, sewer, water, and utility bills have been paid.

(c) That as of the Close of Escrow the representations and warranties of Seller contained in this Agreement are either all true and correct in all material respects or, to the extent that is not the case, have been waived by Buyer.

(d) Seller's delivery of all documents required to be delivered by Seller pursuant to Section 6 hereof.

(e) Buyer's approval, prior to the expiration of the Due Diligence Period, of the physical condition of the Property, including without limitation, any and all inspections, tests, survey(s), if any, and other studies to be conducted by Buyer, in Buyer's sole discretion.

(f) If Buyer has elected to obtain the same, Buyer's obtaining and approving the Survey provided for herein prior to the expiration of the Due Diligence Period.

If all the foregoing conditions have not been either met to Buyer's sole satisfaction or expressly waived in writing by Buyer on or before the respective dates set forth therein, or if no date is set forth therein on or prior to the Close of Escrow, then this Agreement shall, at the option of Buyer, become null and void, in which event, except as expressly set forth in this Agreement, neither party shall have any further rights, duties or obligations hereunder, and Buyer shall be entitled to the immediate refund of the Deposit.

13. Seller's Conditions. For the benefit of Seller, the Close of Escrow and Seller's obligation to consummate the sale of the Property, shall be contingent upon and subject to written notice to the Escrow Holder by Seller of the occurrence of all of the following conditions precedent (or Seller's written waiver thereof, it being agreed that Seller can waive any or all such contingencies) on or before the Close of Escrow:

(a) Deposit by Buyer of the Purchase Price and all other sums to be deposited by Buyer in Escrow in accordance with the requirements hereof.

(b) Buyer's delivery of all documents required to be delivered by Buyer pursuant to Section 6 hereof and performance of all other material covenants and agreements to be performed by Buyer under this Agreement.

(c) That as of the Close of Escrow the representations and warranties of Buyer contained in this Agreement are all either true and correct in all material respects or, to the extent that is not the case, have been waived by Seller.

14. Destruction/Condemnation. In the event that prior to the Close of Escrow, the Property, or any portion thereof, is damaged by fire, earthquake, or other casualty, or is subject to a taking by a public authority other than Buyer, then Buyer shall have the right, exercisable by giving notice to Seller within fifteen (15) days after receiving written notice of such damage or taking, either (a) to terminate this Agreement, in which case neither party shall have any further rights or obligations hereunder, except that (i) Buyer and Seller shall each be responsible for one-half (1/2) of any cancellation fees charged by the Escrow Holder and/or the Title Company and (ii) the Deposit and any other funds deposited into Escrow by Buyer, including interest thereon, shall be refunded to Buyer, or (b) to accept the Property in its then condition and proceed with the Closing, and to receive an assignment of all of Seller's rights to any proceeds of insurance or condemnation awards payable by reason of such damage or taking. If Buyer elects to proceed under the preceding clause (b), there shall be no adjustment to the Purchase Price and Seller shall not compromise, settle or adjust any claims to such proceeds of insurance or condemnation awards. Seller agrees to give Buyer prompt notice of any damage to or taking of the Property promptly after Seller receives notice of the same.

Buyer's Initials: _____

Seller's Initials: _____

15. Disposition of Deposit. IF THE TRANSACTION HEREIN PROVIDED SHALL NOT BE CLOSED BY REASON OF SELLER'S DEFAULT UNDER THIS AGREEMENT OR THE FAILURE OF SATISFACTION OF THE CONDITIONS DESCRIBED IN SECTION 12 HEREOF, AND BUYER SHALL NOT HAVE DEFAULTED UNDER THIS AGREEMENT, THEN THE DEPOSIT SHALL BE RETURNED TO BUYER, AND NEITHER PARTY SHALL HAVE ANY FURTHER OBLIGATION OR LIABILITY TO THE OTHER; PROVIDED, HOWEVER, IF THE TRANSACTIONS HEREUNDER SHALL FAIL TO CLOSE BY REASON OF SELLER'S DEFAULT, AND BUYER SHALL HAVE FULLY PERFORMED ITS OBLIGATIONS HEREUNDER AND SHALL BE READY, WILLING AND ABLE TO CLOSE, THEN BUYER SHALL BE ENTITLED TO SPECIFICALLY ENFORCE THIS AGREEMENT (BUT NO OTHER ACTION, FOR DAMAGES OR OTHERWISE, SHALL BE PERMITTED). BUYER'S ACTION TO SPECIFICALLY ENFORCE THIS AGREEMENT UNDER THIS SECTION MUST BE FILED AND SERVED, IF AT ALL, WITHIN NINETY (90) DAYS AFTER THE SCHEDULED CLOSE OF ESCROW. IF BUYER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF BUYER, IT IS AGREED THAT THE DEPOSIT SHALL BE NON-REFUNDABLE AND SELLER SHALL BE ENTITLED TO SUCH DEPOSIT, WHICH AMOUNT SHALL BE ACCEPTED BY SELLER AS LIQUIDATED DAMAGES AND NOT AS A PENALTY AND AS SELLER'S SOLE AND EXCLUSIVE REMEDY. IT IS AGREED THAT SAID AMOUNT CONSTITUTES A REASONABLE ESTIMATE OF THE DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTION 1671 *ET SEQ.* BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL OR IMPOSSIBLE TO PRESENTLY PREDICT WHAT MONETARY DAMAGES SELLER WOULD SUFFER UPON BUYER'S FAILURE TO COMPLETE ITS PURCHASE OF THE PROPERTY. BUYER DESIRES TO LIMIT THE MONETARY DAMAGES FOR WHICH IT MIGHT BE LIABLE HEREUNDER AND BUYER AND SELLER DESIRE TO AVOID THE COSTS AND DELAYS THEY WOULD INCUR IF A LAWSUIT WERE COMMENCED TO RECOVER DAMAGES OR OTHERWISE ENFORCE SELLER'S RIGHTS. IF FURTHER INSTRUCTIONS ARE REQUIRED BY ESCROW HOLDER TO EFFECTUATE THE TERMS OF THIS PARAGRAPH, BUYER AND SELLER AGREE TO EXECUTE THE SAME. THE PARTIES ACKNOWLEDGE THIS PROVISION BY PLACING THEIR INITIALS BELOW:

SELLER

BUYER

16. As-Is Sale. BUYER ACKNOWLEDGES AND AGREES THAT BUYER WILL BE CONCLUDING THE PURCHASE OF THE PROPERTY BASED SOLELY UPON BUYER'S INSPECTION AND INVESTIGATION OF THE PROPERTY, AND THAT BUYER WILL BE PURCHASING THE PROPERTY ON AN "AS IS, WHERE IS" BASIS, WITH ALL FAULTS, LATENT AND PATENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, BUYER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE, IS NOT HEREBY MAKING, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, EXCEPT THOSE EXPRESSLY CONTAINED IN SECTION 10 OF THIS AGREEMENT, ON WHICH BUYER IS RELYING AS TO ANY MATTER CONCERNING THE PROPERTY AND DESCRIBED THEREIN.

BUYER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY BY OR ON BEHALF OF SELLER, INCLUDING, WITHOUT LIMITATION, THE ENVIRONMENTAL REPORTS AND THE OTHER DOCUMENTS AND INSTRUMENTS TO BE DELIVERED TO OR OTHERWISE MADE AVAILABLE TO BUYER, WAS OBTAINED FROM A VARIETY OF SOURCES, THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION, THAT ALL SUCH INFORMATION HAS BEEN AND SHALL BE PROVIDED SOLELY AS AN ACCOMMODATION TO BUYER, AND THAT SELLER MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TRUTHFULNESS OR COMPLETENESS OF SUCH INFORMATION. AS PART OF BUYER'S AGREEMENT TO PURCHASE AND ACCEPT THE PROPERTY "AS-IS, WHERE-IS," AND "WITH ALL FAULTS", AND NOT AS A LIMITATION ON SUCH AGREEMENT, BUYER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY AND ALL ACTUAL OR POTENTIAL CLAIMS OR RIGHTS AGAINST THE SELLER ARISING OUT OF THE INACCURACY OR INCOMPLETENESS OF ANY MATERIALS SO FURNISHED, ARISING OUT OF OR IN CONNECTION WITH THE ENVIRONMENTAL CONDITION OF THE PROPERTY, AND ANY AND ALL ACTUAL OR POTENTIAL CLAIMS OR RIGHTS BUYER MIGHT HAVE REGARDING ANY FORM OF REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND OR TYPE, RELATING TO THE PROPERTY, OTHER THAN IN CONNECTION WITH THOSE REPRESENTATIONS AND WARRANTIES EXPRESSLY CONTAINED IN SECTION 10 OF THIS AGREEMENT. SUCH WAIVER IS ABSOLUTE, COMPLETE, TOTAL AND UNLIMITED IN ANY WAY. AS PART OF THE PROVISIONS OF THIS SECTION, BUT NOT AS A LIMITATION THEREON, BUYER HEREBY AGREES, REPRESENTS AND WARRANTS THAT THE MATTERS RELEASED HEREIN ARE NOT LIMITED TO MATTERS WHICH ARE KNOWN OR DISCLOSED, AND BUYER HEREBY WAIVES ANY AND ALL RIGHTS AND BENEFITS WHICH IT NOW HAS, OR IN THE FUTURE MAY HAVE CONFERRED UPON IT, BY VIRTUE OF THE PROVISIONS OF FEDERAL, STATE OR LOCAL LAWS, RULES OR REGULATIONS, INCLUDING WITHOUT LIMITATION, SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA OR ANY SIMILAR STATUTE, LAW, RULE OR REGULATION OF ANY OTHER STATE. BUYER ACKNOWLEDGES THAT SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

SELLER AND BUYER HAVE EACH INITIALED THIS SECTION TO FURTHER INDICATE THEIR AWARENESS AND ACCEPTANCE OF EACH AND EVERY PROVISION HEREOF.

SELLER

BUYER

The provisions of this Section 17 shall survive the Close of Escrow and the Recording of the Grant Deed.

17. Relocation Assistance. In consideration of its receipt of the Purchase Price, Seller agrees to take full responsibility for moving its business, and any furnishings, fixtures, equipment and personal property, from the Property and for any resulting loss of business goodwill (the “**Relocation**”), and Buyer shall have no obligation to provide assistance to Seller in connection therewith under any federal or state relocation laws or regulations, including, without limitation, the California Relocation Assistance and Real Property Acquisition statutes and guidelines. In connection therewith, and to the fullest extent permitted by law, Seller further agrees that, effective on the Closing, Buyer shall be, and hereby is, fully and forever released from any and all claims and liabilities, whether direct or indirect, known or unknown, foreseen or unforeseen, that have arisen, or that may arise, in connection with the Relocation. By such release, Seller expressly waives the provisions of California Civil Code Section 1542 that provide:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

and all similar provisions or rules of law. Seller understands that, by waiving these provisions, Seller waives the right to make claims against Buyer for matters pertaining to the Relocation that are presently unknown or unanticipated.

Buyer has given Seller material consideration (i.e., the Purchase Price) in exchange for Seller’s agreement in this Section 18. Seller and Buyer have each initialed this Section 18 to indicate their acceptance of each and every provision hereof. The provisions of this Section 18 shall survive the Closing and shall not be merged into the Grant Deed or the other documents delivered at the Closing.

SELLER

BUYER

The provisions of this Section 18 shall survive the Close of Escrow and the recording of the Grant Deed.

18. Notices. All notices and demands shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by personal delivery (by recognized courier service or otherwise). Notices shall be considered given upon the earlier of (a) personal delivery or (b) two (2) business days following deposit in the United States mail, postage prepaid, certified or registered, return receipt requested. A copy of all notices shall be sent to Escrow Holder. Notices shall be addressed as provided below for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice:

Buyer: City of Compton
205 S. Willowbrook Avenue
Compton, CA 90220
Attention: Michael L. Antwine, II, Asst. City Manager
Phone: (310) 605-5577
Email: mantwine@comptoncity.org

with a copy to: City of Compton
205 S. Willowbrook Avenue
Compton, CA 90220
Attention: Damon M. Brown, City Attorney
Phone: (310) 605-5582
Email: dbrown@comptoncity.org

with a copy to: Richards, Watson & Gershon
350 S. Grand Avenue, 37th Floor
Los Angeles, CA 90071
Attention: Jim G. Grayson, Esq.
Phone: (213) 626-8484
Email: jgrayson@rwglaw.com

Seller: Prism Realty Corporation
3189 Airway Avenue, Suite B
Costa Mesa, CA 92626
Attention: Brook Morris
Phone: (714) 708-2740
Email: bmorris@prismrealty.net

with a copy to: Shahan Hairapetian
1145 S. Fair Oaks Avenue
Pasadena, CA 91105
Phone: (626) 281-8199
Email: shahan@h-and-h.com

Escrow Holder: First American Title Insurance Company
18500 Von Karman Avenue, Suite 600
Irvine, CA 92612
Attention: Patty Beverly, Vice President
Phone: (949) 885-2465
Email: pbeverly@firstam.com

19. Broker's Commissions. Each party represents to the other party that the representing party has incurred no liability for any brokerage commission or finder's fee arising from or relating to the transactions contemplated by this Agreement. Each party hereby indemnifies and agrees to protect, defend and hold harmless the other party from and against all liability, cost, damage or expense (including, without limitation, attorneys' fees and costs incurred in connection therewith) on account of any brokerage commission or finder's fee which the indemnifying party has agreed to pay or which is claimed to be due as a result of the actions of the indemnifying party. This Section 20 is intended to be solely for the benefit of the parties hereto and is not intended to benefit, nor may it be relied upon by, any person or entity not a party to this Agreement. The indemnification obligations contained in this Section 20 shall survive the Close of Escrow and the delivery of the Grant Deed.

20. Removal of Personal Property. Title to any personal property located on the Property shall remain in the Seller, and the Seller, at its sole expense, shall cause all such personal property to be removed from the Property upon the Close of Escrow.

21. Time is of the Essence. The parties hereto agree that time is of the essence with respect to each term, condition and covenant hereof.

22. Successors and Assigns. The provisions of this Agreement are expressly binding upon, and shall inure to the benefit of, the parties hereto and their successors in interest and assigns.

23. Entire Agreement. This Agreement, together with all exhibits hereto, integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

24. Severability. Invalidation of any of the terms, conditions, covenants, or other provisions contained herein by judgment or court order shall in no way affect any of the other terms, conditions, covenants, or provisions hereof, and the same shall remain in full force and effect.

25. Amendments. Any amendments to this Agreement shall be effective only when duly executed by Seller and Buyer and deposited with Escrow Holder. Any such amendments may be executed by the City Manager of the City of Compton on behalf of the Buyer.

26. Attorneys' Fees. Subject to the provisions of Section 28, in the event that any proceeding is brought for the enforcement of this Agreement or as the result of any alleged breach thereof, the prevailing party or parties in such proceeding shall be entitled to recover their reasonable attorneys' fees, costs, and expenses from the losing party or parties, and any decision rendered in such proceedings shall include an award thereof.

27. No Third Party Beneficiary Rights. This Agreement is entered into for the sole benefit of Seller and Buyer and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

28. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

29. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes of this Agreement, facsimile signatures shall be deemed to be original signatures, and shall be followed by the immediate overnight delivery of original signature pages.

30. Assignment of Agreement. Neither Buyer nor Seller may assign or transfer their respective rights or obligations under this Agreement without first obtaining the prior written consent of the other, which consent may be granted or withheld in the sole and absolute discretion of the applicable party.

31. Interpretation. Whenever used herein, the term “including” shall be deemed to be followed by the words “without limitation.” Words used in the singular number shall include the plural, and vice-versa, and any gender shall be deemed to include each other gender.

32. Captions. The captions and headings of the Articles and Sections of this Agreement are for convenience of reference only, and shall not be deemed to define or limit the provisions hereof.

33. Exhibits. The exhibits and schedules attached hereto are hereby incorporated by reference herein.

34. Effect of Waiver. A waiver by either party hereto shall not affect either party's right to enforce the provisions contained herein, nor shall any extension or waiver be held to be an extension of time or waiver of any prior or subsequent breach of the same or any other obligation under this Agreement.

35. Confidentiality. Buyer acknowledges that, during the course of its due diligence, the information it will receive with respect to the Property and Seller is confidential in nature. Buyer agrees (unless otherwise required by law) not to disclose such information to any third party and to keep such information confidential, except for disclosures which may be made to Buyer's attorneys, accountants, and other consultants employed for the purpose of facilitating the transactions contemplated hereby, provided that Buyer makes all such parties aware of the confidentiality requirements set forth herein, and causes such parties to abide by this Section.

36. Tax-Deferred Exchange. The parties agree to cooperate with each other if either or both of them elect to consummate the transaction contemplated by this Agreement as a like-kind exchange of property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended (the “Exchange”), which cooperation shall include executing documents for that Exchange, provided that the requesting party is not in default of its obligations under this Agreement and the following terms and conditions are satisfied: (a) the exchanging party provides prior written notice to the other party not less than ten (10) business days prior to the Close of Escrow, (b) the exchanging party provides the other party with together with copies of all exchange documents that must be executed by the other party not less than five (5) business day prior to the Close of Escrow; (c) the non-exchanging party shall in no way be obligated to

pay any facilitator charges, escrow costs, brokerage commissions, title charges, survey costs, recording costs or other charges incurred with respect to the Exchange; (d) in no way shall the Closing be contingent or otherwise subject to the consummation of the Exchange, and the Escrow shall timely close in accordance with the terms of this Agreement despite any failure, for any reason, to consummate the Exchange; (e) the non-exchanging party shall have no responsibility or liability to any third party involved in the Exchange; (f) the non-exchanging party shall not be required to make any representations or warranties nor assume any obligations, including but not limited, incurring any debt, taking title to any other property, expending any sum, or incurring any liability whatsoever in connection with the Exchange; (g) the parties' rights against each other under this Agreement, and the parties' obligations under this Agreement, shall not be reduced or excused in any manner as the result of the Exchange; and (h) the exchanging party shall indemnify and hold the non-exchanging party harmless from and against any and all causes, claims, demands, liabilities, costs and expenses, including reasonable attorneys' fees, as a result of or in connection with the Exchange.

37. No Memorandum. The parties agree that neither this Agreement nor a memorandum hereof shall be recorded, as the parties intend to maintain the confidentiality of the transactions contemplated hereby.

*[Remainder of this page intentionally left blank]
[Signatures start on next page]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

SELLER:

PRISM REALTY CORPORATION,
a California corporation,
as to an undivided 3% interest

By: _____
Name: _____
Its: _____

INFILL PROPERTY PARTNERS II, LLC,
a California limited liability company,
as to an undivided 74% interest

By: _____
Name: _____
Its: _____

EFT LOT 14, LLC,
a California limited liability company,
as to an undivided 23% interest

By: _____
Name: _____
Its: _____

All as tenants-in-common

BUYER:

CITY OF COMPTON,
a municipal corporation

By: _____
Craig J. Cornwell, City Manager

ATTEST:

Alita Godwin, City Clerk

APPROVED AS TO FORM:

By: _____
Damon M. Brown, City Attorney

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

 Exhibit A	ISSUED BY First American Title Insurance Company File No: NCS-1016083-LA2
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File No.: NCS-1016083-LA2

The Land referred to herein below is situated in the City of Compton, County of Los Angeles, State of California, and is described as follows:

LOT 14 OF TRACT NO. 061885, IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 1325, PAGES 50 TO 53](#), INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, AND INCLUDING AND TOGETHER WITH THE PERPETUAL EXCLUSIVE RIGHT IN THE GRANTOR OF DRILLING, MINING, EXPLORING FOR, REMOVING, AND PRODUCING THE SAME FROM SAID LAND, AND INCLUDING THE PERPETUAL EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO SAID LANDS FOR THE AFORESAID PURPOSES AND TO SUBSURFACE OF OTHER LANDS, AND INCLUDING THE RIGHT TO REDRILL, REPAIR, DEEPEN AND IN ALL OTHER LAWFUL MATTERS OTHERWISE OPERATE ANY AND ALL SUCH WELL HOLES, PROVIDED HOWEVER THAT IN NO EVENT SHALL THESE RIGHTS PERMIT THE PENETRATION OF THE LANDS HEREIN GRANTED AT ANY POINT WITHIN 300 FEET FROM THE SURFACE OF SAID GRANTED LANDS, UNLESS SPECIFICALLY OTHERWISE AUTHORIZED, AS EXCEPTED BY FLORENCE HELLMAN EHRMAN, I.W. HELLMAN III, FREDERICK J. HELLMAN, MARCO F. HELLMAN, WELLS FARGO BANK, TRUSTEES OF THE TRUST CREATED UNDER THE LAST WILL AND TESTAMENT OF FLORENCE H. DINKELSPIEL, ALSO KNOWN AS FLORENCE HELLMAN DINKELSPIEL AND AS FLORENCE DINKELSPIEL, DECEASED, AND WILLIAM H. GREEN, FLOYD W. DINKELSPIEL, JR. AND WELLS FARGO BANK, EXECUTORS OF THE LAST WILL AND TESTAMENT OF FLOYD W. DINKELSPIEL, DECEASED, IN DEED RECORDED DECEMBER 16, 1959, AS INSTRUMENT NO. 1467, IN [BOOK D-694, PAGE 909](#), OFFICIAL RECORDS.

EXCEPT ALL MINERALS, OIL, GAS PETROLEUM, NAPHTHA AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER THE ABOVE DESCRIBED PROPERTY, TOGETHER WITH ALL NECESSARY AND CONVENIENT RIGHTS TO EXPLORE FOR, DEVELOP, PRODUCE, EXTRACT AND TAKE THE SAME, INCLUDING THE EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO AND THROUGH SAID LAND FROM OTHER LANDS AND INTO THE SUBSURFACE OF OTHER LANDS, SUBJECT TO THE EXPRESS LIMITATION THAT ANY AND ALL OPERATIONS FOR THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTION, AND TAKING OF ANY OF SAID SUBSTANCES SHALL BE CARRIED ON AT LEVELS BELOW THE DEPTH OF 500 FEET FROM THE SURFACE OF THE ABOVE DESCRIBED PROPERTY, BY MEANS OF MINES, WELL, DERRICKS, AND/OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND LYING OUTSIDE OF THE ABOVE DESCRIBED PROPERTY AND SUBJECT FURTHER TO THE EXPRESS LIMITATION THAT THE FOREGOING RESERVATION SHALL IN NO WAY BE INTERPRETED TO INCLUDE ANY RIGHT TO ENTRY IN AND UPON THE SURFACE OF THE ABOVE DESCRIBED LAND, AS RESERVED IN GRANT DEED RECORDED JUNE 23, 1981 AS INSTRUMENT NO. [81-622407](#), OFFICIAL RECORDS.

For conveyancing purposes only: APN 7318-003-077

This page is only a part of a 2016 ALTA® Commitment for Title Insurance issued by First American Title Insurance Company. This Commitment is not valid without the Notice; the Commitment to Issue Policy; the Commitment Conditions; Schedule A; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions.

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EXHIBIT B
FORM OF GRANT DEED

RECORDING REQUESTED BY

First American Title Insurance Company

AND WHEN RECORDED RETURN TO:

City of Compton
205 S. Willowbrook Avenue
Compton, California 90220
Attention: City Clerk

APN: 7318-003-077

[SPACE ABOVE FOR RECORDER'S USE ONLY]

GRANT DEED

THE UNDERSIGNED GRANTOR DECLARES AS FOLLOWS:

The undersigned declares that this Grant Deed is exempt from Recording Fees pursuant to California Government Code Section 27383 and exempt from Documentary Transfer Tax pursuant to California Revenue and Taxation Code Section 11922.

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged **PRISM REALTY CORPORATION**, a California corporation, as to an undivided 3% interest, **INFILL PROPERTY PARTNERS II, LLC**, a California limited liability company, as to an undivided 74% interest, and **EFT LOT 14, LLC**, a California limited liability company, as to an undivided 23% interest, all as tenants-in-common (collectively, the "**Grantors**") hereby grants to **CITY OF COMPTON**, a municipal corporation ("**Grantee**"), certain real property located in the City of Compton, County of Los Angeles, State of California, more particularly described on **Exhibit A** attached hereto and incorporated herein by reference.

SUBJECT TO:

1. General and special real property taxes and assessments and supplemental assessments for the current fiscal year;
2. All liens, encumbrances, easements, covenants, conditions and restrictions of record; and
3. All matters which would be revealed or disclosed in an accurate survey of the property.

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of the date set forth below.

Dated: _____, 2020

PRISM REALTY CORPORATION,
a California corporation,
as to an undivided 3% interest

By: _____
Name: _____
Its: _____

INFILL PROPERTY PARTNERS II, LLC,
a California limited liability company,
as to an undivided 74% interest

By: _____
Name: _____
Its: _____

EFT LOT 14, LLC,
a California limited liability company,
as to an undivided 23% interest

By: _____
Name: _____
Its: _____

All as tenants-in-common

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____

(Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____

(Seal)

Exhibit A to Grant Deed

LEGAL DESCRIPTION OF THE PROPERTY

 Exhibit A	ISSUED BY First American Title Insurance Company File No: NCS-1016083-LA2
---	--

File No.: NCS-1016083-LA2

The Land referred to herein below is situated in the City of Compton, County of Los Angeles, State of California, and is described as follows:

LOT 14 OF TRACT NO. 061885, IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 1325, PAGES 50 TO 53](#), INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, AND INCLUDING AND TOGETHER WITH THE PERPETUAL EXCLUSIVE RIGHT IN THE GRANTOR OF DRILLING, MINING, EXPLORING FOR, REMOVING, AND PRODUCING THE SAME FROM SAID LAND, AND INCLUDING THE PERPETUAL EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO SAID LANDS FOR THE AFORESAID PURPOSES AND TO SUBSURFACE OF OTHER LANDS, AND INCLUDING THE RIGHT TO REDRILL, REPAIR, DEEPEN AND IN ALL OTHER LAWFUL MATTERS OTHERWISE OPERATE ANY AND ALL SUCH WELL HOLES, PROVIDED HOWEVER THAT IN NO EVENT SHALL THESE RIGHTS PERMIT THE PENETRATION OF THE LANDS HEREIN GRANTED AT ANY POINT WITHIN 300 FEET FROM THE SURFACE OF SAID GRANTED LANDS, UNLESS SPECIFICALLY OTHERWISE AUTHORIZED, AS EXCEPTED BY FLORENCE HELLMAN EHRMAN, I.W. HELLMAN III, FREDERICK J. HELLMAN, MARCO F. HELLMAN, WELLS FARGO BANK, TRUSTEES OF THE TRUST CREATED UNDER THE LAST WILL AND TESTAMENT OF FLORENCE H. DINKELSPIEL, ALSO KNOWN AS FLORENCE HELLMAN DINKELSPIEL AND AS FLORENCE DINKELSPIEL, DECEASED, AND WILLIAM H. GREEN, FLOYD W. DINKELSPIEL, JR. AND WELLS FARGO BANK, EXECUTORS OF THE LAST WILL AND TESTAMENT OF FLOYD W. DINKELSPIEL, DECEASED, IN DEED RECORDED DECEMBER 16, 1959, AS INSTRUMENT NO. 1467, IN [BOOK D-694, PAGE 909](#), OFFICIAL RECORDS.

EXCEPT ALL MINERALS, OIL, GAS PETROLEUM, NAPHTHA AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER THE ABOVE DESCRIBED PROPERTY, TOGETHER WITH ALL NECESSARY AND CONVENIENT RIGHTS TO EXPLORE FOR, DEVELOP, PRODUCE, EXTRACT AND TAKE THE SAME, INCLUDING THE EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO AND THROUGH SAID LAND FROM OTHER LANDS AND INTO THE SUBSURFACE OF OTHER LANDS, SUBJECT TO THE EXPRESS LIMITATION THAT ANY AND ALL OPERATIONS FOR THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTION, AND TAKING OF ANY OF SAID SUBSTANCES SHALL BE CARRIED ON AT LEVELS BELOW THE DEPTH OF 500 FEET FROM THE SURFACE OF THE ABOVE DESCRIBED PROPERTY, BY MEANS OF MINES, WELL, DERRICKS, AND/OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND LYING OUTSIDE OF THE ABOVE DESCRIBED PROPERTY AND SUBJECT FURTHER TO THE EXPRESS LIMITATION THAT THE FOREGOING RESERVATION SHALL IN NO WAY BE INTERPRETED TO INCLUDE ANY RIGHT TO ENTRY IN AND UPON THE SURFACE OF THE ABOVE DESCRIBED LAND, AS RESERVED IN GRANT DEED RECORDED JUNE 23, 1981 AS INSTRUMENT NO. [81-622407](#), OFFICIAL RECORDS.

For conveyancing purposes only: APN 7318-003-077

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Form 50003700 (8-23-18)	Page 11 of 11	ALTA Commitment for Title Insurance (8-1-16) California
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EXHIBIT C

[FORM OF RIGHT OF ENTRY AND ACCESS AGREEMENT]

RIGHT OF ENTRY AND ACCESS AGREEMENT

THIS RIGHT OF ENTRY AND ACCESS AGREEMENT (herein called this “**Agreement**”) is made and entered into as of _____, 2020 (the “**Effective Date**”), by **PRISM REALTY CORPORATION**, a California corporation, as to an undivided 3% interest, **INFILL PROPERTY PARTNERS, LLC**, a California limited liability company, as to an undivided 74% interest and **EFT LOT 14, LLC**, a California limited liability company, as to an undivided 23% interest (collectively, herein called “**Grantors**”), and **CITY OF COMPTON**, a municipal corporation (herein called “**Grantee**”).

W I T N E S S E T H:

WHEREAS, Grantor is the owner of the real property more particularly described on **Exhibit A**, attached hereto and incorporated herein by reference (herein called the “**Property**”);

WHEREAS, Grantor and Grantee contemplate entering into a Purchase and Sale Agreement and Escrow Instructions related to the Property (the “**Purchase Agreement**”);

WHEREAS, Grantee has requested the right of entry upon and access to the Property for the purpose of undertaking tests, inspections and other due diligence activities (herein called the “**Due Diligence Activities**”) in connection with the proposed acquisition by Grantee of the Property under the Purchase Agreement;

WHEREAS, Grantor has agreed to grant to Grantee, and Grantee has agreed to accept from Grantor, a non-exclusive, revocable license to enter upon the Property to perform the Due Diligence Activities in accordance with the terms and provisions of this Agreement;

WHEREAS, Grantor and Grantee desire to execute and enter into this Agreement for the purpose of setting forth their agreement with respect to the Due Diligence Activities and Grantee’s entry upon the Property.

NOW, THEREFORE, for and in consideration of the foregoing premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee do hereby covenant and agree as follows:

1. Access by Grantee.

(a) Subject to Grantee’s compliance with the terms and provisions of this Agreement, until the earlier to occur of (i) the expiration of the Due Diligence Period (as defined in the Purchase Agreement), or (ii) the earlier termination of this Agreement, Grantee and Grantee’s agents, employees, contractors, representatives and other designees (herein collectively called “**Grantee’s Designees**”) shall have the right to enter upon the Property for the purpose of conducting the Due Diligence Activities.

(b) Grantee expressly agrees as follows: (i) any activities by or on behalf of Grantee, including, without limitation, the entry by Grantee or Grantee's Designees onto the Property in connection with the Due Diligence Activities shall not damage the Property in any manner whatsoever or disturb or interfere with the rights or possession of any tenant on the Property, (ii) in the event the Property is altered or disturbed in any manner in connection with the Due Diligence Activities, Grantee shall immediately return the Property to the condition existing prior to the Due Diligence Activities, and (iii) Grantee, to the maximum extent allowed by law, shall indemnify, defend and hold Grantor harmless from and against any and all claims, liabilities, damages, losses, costs and expenses of any kind or nature whatsoever (including, without limitation, attorneys' fees and expenses and court costs) suffered, incurred or sustained by Grantor as a result of, by reason of, or in connection with the Due Diligence Activities or the entry by Grantee or Grantee's Designees onto the Property. Notwithstanding any provision of this Agreement to the contrary, Grantee shall not have the right to undertake any invasive activities or tests upon the Property, or any environmental testing on the Property beyond the scope of a standard "Phase I" investigation, without the prior written consent of Grantor of a workplan for such "Phase II" or invasive testing, which may be granted, denied or conditioned in Seller's sole and absolute discretion. If Grantor does not respond or reject any workplan within five (5) business days of Grantee's delivery of the written workplan proposal to Grantor pursuant to the notice provisions of this Agreement, then Grantor shall be deemed to have not approved the submitted workplan and Grantee may proceed with such testing. If Grantor rejects such proposed workplan in whole or in part, then this Agreement shall become null and void at the sole option of Grantee. If Grantee terminates this Agreement under the foregoing provision, then neither party shall have any further rights, duties and obligations.

2. Lien Waivers. Upon receipt of a written request from Grantor, Grantee will provide Grantor with lien waivers following completion of the Due Diligence Activities from each and every contractor, materialman, engineer, architect and surveyor who might have lien rights, in form and substance reasonably satisfactory to Grantor and its counsel. To the extent permitted by applicable law, Grantee hereby indemnifies Grantor from and against any claims or demands for payment, or any liens or lien claims made against Grantor or the Property as a result of the Due Diligence Activities.

3. Insurance. Prior to entry onto the Property, Grantee shall, and shall cause all of Grantee's Designees performing the Due Diligence Activities to, procure or maintain a policy of commercial general liability insurance issued by an insurer reasonably satisfactory to Grantor covering each of the Due Diligence Activities with a single limit of liability (per occurrence and aggregate) of not less than \$1,000,000.00, and to deliver to Grantor a certificate of insurance and copy of additional insured endorsement naming Seller as named additional insured, evidencing that such insurance is in force and effect, and evidencing that Grantor has been named as an additional insured thereunder with respect to the Due Diligence Activities. Such insurance shall be maintained in force throughout the term of this Agreement.

4. Successors. To the extent any rights or obligations under this Agreement remain in effect, this Agreement shall be binding upon and enforceable against, and shall inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

5. Limitations. Grantor does not hereby convey to Grantee any right, title or interest in or to the Property, but merely grants the specific rights and privileges hereinabove set forth.

6. Notices. Whenever any notice, demand, or request is required or permitted under this Agreement, such notice, demand, or request shall be in writing and shall be delivered by hand, be sent by registered or certified mail, postage prepaid, return receipt requested, or shall be sent by nationally recognized commercial courier for next business day delivery, to the addresses set forth below the respective executions of the parties hereof, or to such other addresses as are specified by written notice given in accordance herewith. All notices, demands, or requests delivered by hand shall be deemed given upon the date so delivered; those given by mailing as hereinabove provided shall be deemed given on the date of deposit in the United States Mail; and those given by commercial courier as hereinabove provided shall be deemed given on the date of deposit with the commercial courier. Nonetheless, the time period, if any, in which a response to any notice, demand, or request must be given shall commence to run from the date of receipt of the notice, demand, or request by the addressee thereof. Any notice, demand, or request not received because of changed address or facsimile number of which no notice was given as hereinabove provided or because of refusal to accept delivery shall be deemed received by the party to whom addressed on the date of hand delivery, on the date of facsimile transmittal, on the first calendar day after deposit with commercial courier, or on the third calendar day following deposit in the United States Mail, as the case may be.

7. Assignment. This Agreement may not be assigned by Grantee.

8. Governing Law. This Agreement shall be construed, enforced and interpreted in accordance with the laws of the State of California.

9. Termination. This Agreement can be terminated by Grantor at any time and for any reason, or no reason, upon written notice from Grantor to Grantee.

10. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

11. No Recording of Agreement or Memorandum of Agreement. In no event shall this Agreement or any memorandum hereof be recorded in the Official Records of Los Angeles County, California, and any such recordation or attempted recordation shall constitute a breach of this Agreement by the party responsible for such recordation or attempted recordation.

IN WITNESS WHEREOF, Grantor and Grantee have caused this Agreement to be executed and sealed, on the day and year first written above.

GRANTORS:

PRISM REALTY CORPORATION,

a California corporation,
as to an undivided 3% interest

By: _____

Name: _____

Title: _____

INFILL PROPERTY PARTNERS II, LLC,

a California limited liability company,
as to an undivided 74% interest

By: _____

Name: _____

Title: _____

EFT LOT 14, LLC,

a California limited liability company,
as to an undivided 23% interest

By: _____

Name: _____

Title: _____

All as tenants-in-common

Address for notices: Prism Realty Corporation
3189 Airway Avenue, Suite B
Costa Mesa, CA 92626
Attn: Brook Morris
Phone: (714) 708-2740
Email: bmorris@prismrealty.net

GRANTEE:

CITY OF COMPTON,
a municipal corporation

By: _____

Name: _____

Title: _____

Attest:

Address for notices: City of Compton
205 S. Willowbrook Avenue
Compton, CA 90220
Attention: Michael L. Antwine, II, Asst. City Manager
Telephone No.: (310) 605-5577
Email: mantwine@comptoncity.org

With a copy to: Richards, Watson & Gershon
350 South Grand Avenue, 37th Floor
Los Angeles, California 90071
Attn.: Jim G. Grayson, Esq.
Telephone No.: (213) 626-8484
Email: jgrayson@rwglaw.com

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

 Exhibit A	ISSUED BY First American Title Insurance Company File No: NCS-1016083-LA2
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File No.: NCS-1016083-LA2

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EXCEPT ALL MINERALS, OIL, GAS PETROLEUM, NAPHTHA AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER THE ABOVE DESCRIBED PROPERTY, TOGETHER WITH ALL NECESSARY AND CONVENIENT RIGHTS TO EXPLORE FOR, DEVELOP, PRODUCE, EXTRACT AND TAKE THE SAME, INCLUDING THE EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO AND THROUGH SAID LAND FROM OTHER LANDS AND INTO THE SUBSURFACE OF OTHER LANDS, SUBJECT TO THE EXPRESS LIMITATION THAT ANY AND ALL OPERATIONS FOR THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTION, AND TAKING OF ANY OF SAID SUBSTANCES SHALL BE CARRIED ON AT LEVELS BELOW THE DEPTH OF 500 FEET FROM THE SURFACE OF THE ABOVE DESCRIBED PROPERTY, BY MEANS OF MINES, WELL, DERRICKS, AND/OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND LYING OUTSIDE OF THE ABOVE DESCRIBED PROPERTY AND SUBJECT FURTHER TO THE EXPRESS LIMITATION THAT THE FOREGOING RESERVATION SHALL IN NO WAY BE INTERPRETED TO INCLUDE ANY RIGHT TO ENTRY IN AND UPON THE SURFACE OF THE ABOVE DESCRIBED LAND, AS RESERVED IN GRANT DEED RECORDED JUNE 23, 1981 AS INSTRUMENT NO. [81-622407](#), OFFICIAL RECORDS.

For conveyancing purposes only: APN 7318-003-077

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Form 50003700 (8-23-18)	Page 11 of 11	ALTA Commitment for Title Insurance (8-1-16) California
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EXHIBIT D

DESCRIPTION OF ENVIRONMENTAL MATTERS

[To Be Provided By Seller]

EXHIBIT E

CERTAIN DEFINITIONS

Environmental Laws means all federal, state, local, or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any government authority regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance (as later defined), or pertaining to occupational health or industrial hygiene (and only to the extent that the occupational health or industrial hygiene laws, ordinances, or regulations relate to Hazardous Substances on, under, or about the Property), occupational or environmental conditions on, under, or about the Property, as now or may at any later time be in effect, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) [42 USCS §§ 9601 et seq.]; the Resource Conservation and Recovery Act of 1976 (RCRA) [42 USCS §§ 6901 et seq.]; the Clean Water Act, also known as the Federal Water Pollution Control Act (FWPCA) [33 USCS §§ 1251 et seq.]; the Toxic Substances Control Act (TSCA) [15 USCS §§ 2601 et seq.]; the Hazardous Materials Transportation Act (HMTA) [49 USCS §§ 1801 et seq.]; the Insecticide, Fungicide, Rodenticide Act [7 USCS §§ 136 et seq.]; the Superfund Amendments and Reauthorization Act [42 USCS §§ 6901 et seq.]; the Clean Air Act [42 USCS §§ 7401 et seq.]; the Safe Drinking Water Act [42 USCS §§ 300f et seq.]; the Solid Waste Disposal Act [42 USCS §§ 6901 et seq.]; the Surface Mining Control and Reclamation Act [30 USCS §§ 1201 et seq.]; the Emergency Planning and Community Right to Know Act [42 USCS §§ 11001 et seq.]; the Occupational Safety and Health Act [29 USCS §§ 655 and 657]; the California Underground Storage of Hazardous Substances Act [H & S C §§ 25280 et seq.]; the California Hazardous Substances Account Act [H & S C §§ 25300 et seq.]; the California Hazardous Waste Control Act [H & S C §§ 25100 et seq.]; the California Safe Drinking Water and Toxic Enforcement Act [H & S C §§ 25549.5 et seq.]; the Porter-Cologne Water Quality Act [Wat C §§ 13000 et seq.] together with any amendments of or regulations promulgated under the statutes cited above and any other federal, state, or local law, statute, ordinance, or regulation now in effect or later enacted that pertains to occupational health or industrial hygiene, and only to the extent that the occupational health or industrial hygiene laws, ordinances, or regulations relate to Hazardous Substances on, under, or about the Property, or the regulation or protection of the environment, including ambient air, soil, soil vapor, groundwater, surface water, or land use.

Hazardous Substances includes without limitation:

(a) Those substances included within the definitions of hazardous substance, hazardous waste, hazardous material, toxic substance, solid waste, or pollutant or contaminant in CERCLA, RCRA, TSCA, HMTA, or under any other Environmental Law;

(b) Those substances listed in the United States Department of Transportation (DOT) Table [49 CFR 172.101], or by the Environmental Protection Agency (EPA), or any successor agency, as hazardous substances [40 CFR Part 302];

(c) Other substances, materials, and wastes that are [NOTE: THE DEFINITION WOULD APPLY CURRENTLY AS OF THE EFFECTIVE DATE AND AS OF THE CLOSE OF ESCROW] regulated or classified as hazardous or toxic under federal, state, or local laws or regulations; and

- (d) Any material, waste, or substance that is
 - (i) a petroleum or refined petroleum product,
 - (ii) asbestos,
 - (iii) polychlorinated biphenyl,
 - (iv) designated as a hazardous substance pursuant to 33 USCS § 1321 or listed pursuant to 33 USCS § 1317,
 - (v) a flammable explosive, or
 - (vi) a radioactive material.

EXHIBIT F

[FORM OF ASSIGNMENT AND ASSUMPTION OF LICENSE AGREEMENT]

THIS ASSIGNMENT AND ASSUMPTION OF LICENSE AGREEMENT (this “**Assignment**”) is made this ____ day of _____, 2020, by and among **PRISM REALTY CORPORATION**, a California corporation, as to an undivided 3% interest, **INFILL PROPERTY PARTNERS II, LLC**, a California limited liability company, as to an undivided 74% interest, and **EFT LOT 14, LLC**, a California limited liability company, as to an undivided 23% interest, all as tenants-in-common (collectively, the “**Assignor**”) and the **CITY OF COMPTON**, a municipal corporation (the “**Assignee**”).

RECITALS

WHEREAS, Assignor and Assignee entered into that Purchase and Sale Agreement and Escrow Instructions [Lot 14] (the “**Agreement**”); and

WHEREAS, under the terms and conditions of the Agreement, it is contemplated that Assignor and Assignee enter into this Assignment.

NOW, THEREFORE, in consideration of the performance of the parties to the Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties do hereby agree as follows:

1. Assignor hereby transfers and assigns to Assignee all right, title and interest of Assignor, if any, in and to that certain Amended and Restated Irrevocable License Agreement, dated as of February 13, 2018, by and between Assignor and Gateway Opportunity Fund, LLC, a California limited liability company, and recorded as Document No. 2018-0163823 of the Official Records of the Los Angeles County Recorder (the “**License Agreement**”).
2. Assignee hereby accepts the foregoing assignment of the License Agreement and does hereby assume all the duties and obligations of Assignor accruing from and after the date hereof under the License Agreement.
3. This Assignment and the obligations of the parties hereunder shall survive the closing of the transactions referred to in the Agreement, shall be binding upon and inure to the benefit of the parties hereto, their respective legal representatives, successors and assigns and shall be governed by and construed in accordance with the laws of the State of California and may not be modified or amended except by written agreement signed by both parties.
4. This Assignment may be executed in counterparts, each of which shall be an original and all of which counterparts taken together shall constitute one and the same agreement.
5. This Assignment shall be construed in accordance with the laws of the State of California, without regard to the application of choice of law principles.

6. For a period of nine (9) months after the date of this Assignment, Assignor shall protect, defend, indemnify and hold Assignee harmless from all costs, expenses, claims, causes of action and damages (including, without limitation, reasonable attorneys' fees and costs) which arise due to Assignor's breach or default in connection with the License Agreement before the date hereof.

7. For a period of nine (9) months after the date of this Assignment, Assignee shall protect, defend, indemnify, and hold Assignor harmless from all costs and expenses, claims, causes of action and damages (including, without limitation, reasonable attorneys' fees and costs) which arise due to Assignee's breach or default in connection with the License Agreement from and after the date hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

ASSIGNOR:

PRISM REALTY CORPORATION,
a California corporation,
as to an undivided 3% interest

By: _____
Name: _____
Its: _____

ASSIGNEE:

CITY OF COMPTON,
a municipal corporation

By: _____
Craig J. Cornwell, City Manager

INFILL PROPERTY PARTNERS II, LLC
a California limited liability company,
as to an undivided 74% interest

By: _____
Name: _____
Its: _____

ATTEST :

Alita Godwin, City Clerk

EFT LOT 14, LLC,
a California limited liability company,
as to an undivided 23% interest

By: _____
Name: _____
Its: _____

All as tenants-in-common

APPRAISAL REPORT

LAND VALUE STUDY
EFFECTIVELY VACANT LAND PARCEL
NORTHEAST SIDE OF AUTO DRIVE NORTH,
AT THE CORNER OF AUTO DRIVE SOUTH
COMPTON, CALIFORNIA 90220
APN 7318-003-077



R. P. LAURAIN
& ASSOCIATES
INCORPORATED

APPRAISAL REPORT

LAND VALUE STUDY
EFFECTIVELY VACANT LAND PARCEL
NORTHEAST SIDE OF AUTO DRIVE NORTH,
AT THE CORNER OF AUTO DRIVE SOUTH
COMPTON, CALIFORNIA 90220
APN 7318-003-077

Effective Date
of
Appraisal
May 26, 2020

Prepared for
CITY OF COMPTON
205 South Willowbrook Avenue
Compton, California 90220

Prepared by
R. P. LAURAIN & ASSOCIATES, INC.
3353 Linden Avenue, Suite 200
Long Beach, California 90807

Date of Report
June 16, 2020

R . P . LAURAIN & ASSOCIATES

INCORPORATED



3353 LINDEN AVENUE, SUITE 200

LONG BEACH, CALIFORNIA 90807

TELEPHONE (562) 426-0477

FACSIMILE (562) 988-2927

RPLA@RPLAURAIN.COM

June 16, 2020

City of Compton
205 South Willowbrook Avenue
Compton, California 92866

Attention: Michael Antwine
Assistant City Manager

Subject: Land Value Study
Effectively Vacant Land Parcel
Northeast Side of Auto Drive North,
At the Corner of Auto Drive South
Compton, California 90220
APN 7318-003-077

In accordance with your request and authorization, we have personally appraised the above-referenced property, as of a current date. The appraisal study included (1) an inspection of the property appraised herein (subject property), (2) a review of market data in the greater subject market area, and (3) a valuation analysis. The date of value utilized for this appraisal is May 26, 2020.

The subject property consists of an effectively vacant land parcel identified as Assessor Parcel Number (APN) 7318-003-077, which is utilized as part of the Gateway Towne Center (located at southwest portion of said shopping center). The subject land parcel is located on the northeast side of Auto Drive North, at the corner of Auto Drive South, in the City of Compton. The subject property is located (1) adjacent southwest of Compton Creek, which is a Los Angeles County Flood Control channel (Compton Creek), (2) northwest of the Crystal Casino, and (3) northeast of the Artesia Blue Line Station, operated by the Los Angeles County Metropolitan Transportation Authority (LACMTA or "Metro"). Note that Compton Creek includes an at-grade asphalt-paved parking lot over a portion of the channel, which parking lot (1) is utilized as part of the Gateway Towne Center, and (2) effectively "connects" the subject site with said shopping center.

Per Los Angeles Assessor records, the subject property contains 52,140 square feet of land, or 1.20± acres. The subject site represents an effectively vacant land parcel currently utilized as an asphalt-paved parking lot. The subject property contains effectively level topography and is located in the CL (Limited Commercial) zone district of the City of Compton; the General Plan land use designation is General Commercial. Note that the highest and best use of the subject site is multiple family residential development.

City of Compton
Attention: Michael Antwine
Assistant City Manager

June 16, 2020

Page 2

The purpose of this appraisal report is to express an estimate of the fair market value of the subject property. After considering the various factors which influence value, the fair market value of the fee simple interest in the subject property, as of May 26, 2020, is:

ONE MILLION SEVEN HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
\$1,775,000

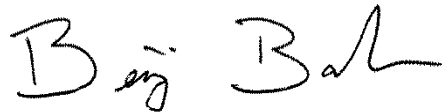
It should be noted that the above conclusion of fair market value is based on the data available to the appraisers at the time of the assignment, and is only valid as of the effective date (date of value) utilized herein. None of the analyses, opinions, or value conclusions contained in this appraisal should be construed as predictions of future market conditions, or the future fair market value of the subject property. Refer to Pages 2-11 and 2-12 of the accompanying report for a discussion pertaining to the ongoing COVID-19 pandemic.

The foregoing value is subject to (1) the assumptions and limiting conditions set forth in the Preface Section and (2) the valuation study set forth in the Valuation Analysis Section. No portion of this appraisal report shall be amended or deleted.

This appraisal complies with the reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice, under Standard Rule 2-2(a), for an Appraisal Report. If you have any questions regarding this appraisal, please contact us at your convenience.

Very truly yours,

R. P. LAURAIN & ASSOCIATES, INC.



Benjamin V. Balos, MAI
Certified General Real Estate Appraiser
California Certification No. AG 040853
Renewal Date: August 3, 2022



Austin S. Ku
Trainee Appraiser
California Certification No. 3007399
Renewal Date: April 16, 2022

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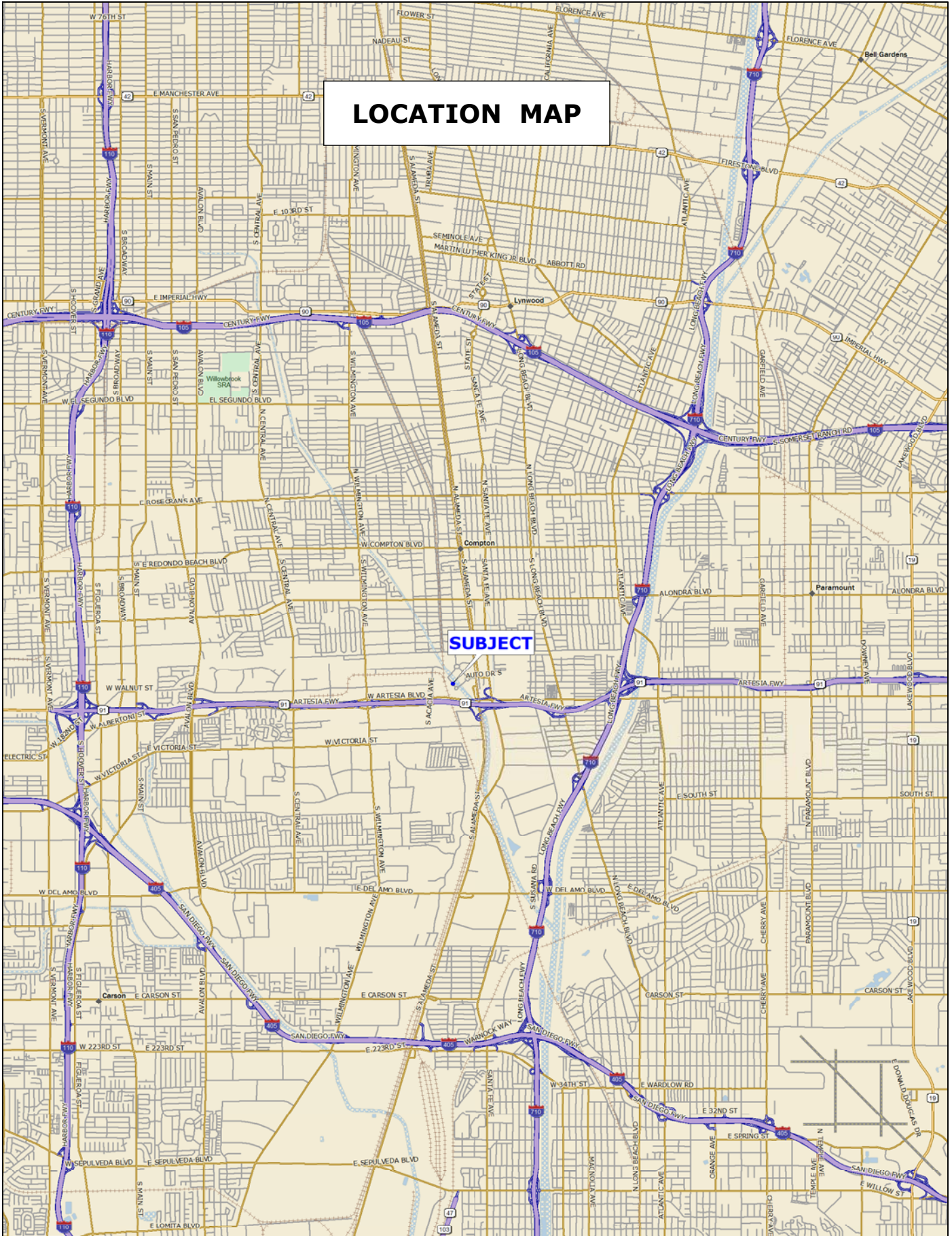
ADDENDA

Additional Photographs
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PREFACE

EXECUTIVE SUMMARY

APPARENT VESTEE:	Prism Realty Corporation Infill Property Partners, II, LLC EFT Lot 14, LLC
ADDRESS/LOCATION:	Address not assigned. The subject property is located on the northeast side of Auto Drive North, at the corner of Auto Drive South, in the City of Compton.
SITE DESCRIPTION	
LAND AREA:	52,140 square feet of land, or 1.197± acres
ZONING:	CL (Limited Commercial), City of Compton
PRESENT USE:	Asphalt-paved parking lot, utilized as part of Gateway Towne Center (retail shopping center)
HIGHEST AND BEST USE:	Multiple family residential development
IMPROVEMENTS:	Asphalt paving, concrete curbs, concrete wheel stops, light standards, shrubbery and tree landscaping, etc.
VALUATION ANALYSIS	
FEE SIMPLE LAND VALUE:	\$34.00 per square foot of land area
FAIR MARKET VALUE:	\$1,775,000
MARKETING EXPOSURE:	6 to 12 months



DATE OF VALUE

The date of value (effective date) employed in this report, and all opinions and computations expressed herein, is based on May 26, 2020. Said date is (1) concurrent with the inspection of the subject property, and (2) generally concurrent with the valuation analysis process. All opinions and computations expressed in this appraisal are based on said date of value.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to express an estimate of the fair market value of the fee simple interest in the subject property. The definition of fair market value is set forth in the latter portion of this section. It is also the purpose of this appraisal report to describe the subject property and to render an opinion of the highest and best use based on (1) the character of existing and potential development of the property appraised, (2) the requirements of local governmental authorities affecting the subject site, (3) the reasonable demand in the open market for properties similar to the property appraised, and (4) the location of the subject site considered with respect to other existing and competitive districts within the greater subject market area. Lastly, it is the purpose of this report to provide an outline of certain factual and inferential information which was compiled and analyzed in the process of completing this appraisal.

PROPERTY RIGHTS APPRAISED

The property rights appraised herein are those of the fee simple interest. Fee simple is defined as, "An absolute fee; a fee without limitation to any particular class of heirs, or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate."

CLIENT

The client for the subject appraisal assignment is the City of Compton.

INTENDED USERS OF APPRAISAL

The intended users of this appraisal are the City of Compton and Prism Realty, including representatives thereof.

INTENDED USE OF APPRAISAL

It is understood that this appraisal will be utilized by the intended users to establish the fair market value of the subject property, for the possible sale thereof, from Prism Realty (current owner) to the City of Compton (proposed buyer).

CERTIFICATION

The undersigned hereby certify that:

Benjamin V. Balos and Austin S. Ku personally conducted on-site appraisal inspections of the property that is the subject of this report. We have no present or contemplated future interest in the real estate which is the subject of this appraisal report. Also, we have no personal interest or bias with respect to the subject matter of this appraisal, or the parties involved in this assignment.

Our engagement in this assignment and the amount of compensation are not contingent upon the reporting or development of predetermined values, direction in value that favors the cause of the client, the amount of the value opinion, the attainment of predetermined or stipulated results, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Also, to the best of our knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

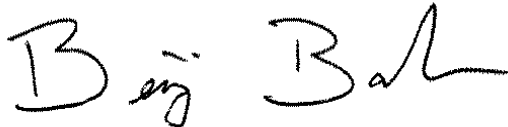
This appraisal report sets forth all of the assumptions and limiting conditions (imposed by the terms of this assignment or by the undersigned), affecting our personal, impartial, and unbiased analyses, opinions, and conclusions.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with (1) the Uniform Standards of Professional Appraisal Practice (USPAP), and (2) the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

As of the date of this report, Benjamin V. Balos has completed the continuing education program for Designated Members of the Appraisal Institute, as well as the State of California. Austin S. Ku has completed the appraisal courses for a Trainee Appraiser and has obtained his Trainee License. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. Note that duly authorized representatives of said organizations have the right to review this report.

CERTIFICATION (Continued)

No one other than the undersigned prepared the analyses, conclusions, and opinions for this appraisal study. No other person provided significant professional assistance. We have not appraised the subject property, or provided any other services, as appraisers or in any other capacity, regarding the subject property, within the three-year period immediately preceding the agreement to perform this assignment.



Benjamin V. Balos, MAI
Certified General Real Estate Appraiser
California Certification No. AG 040853
Renewal Date: August 3, 2022



Austin S. Ku
Trainee Appraiser
California Certification No. 3007399
Renewal Date: April 16, 2022

SCOPE OF THE APPRAISAL

In connection with the subject appraisal study, one or both of the appraisers have performed the following:

1. The appraisers have been retained, and have accepted the assignment, to make an objective analysis and valuation study of the subject property and to report, without bias, their estimate of Fair Market Value. The subject property is described in the Subject Property Description Section of this report.
2. The appraisers have toured the general area by automobile to become acquainted with the extent, condition and quality of nearby developments, sales and offerings in the area, density and type of development, topographical features, economic conditions, trends toward change, etc.
3. The appraisers have walked within the subject neighborhood to become acquainted with the current particular attributes or shortcomings, of the subject property.
4. The appraisers have completed on-site appraisal inspections of the subject property, for the purpose of becoming familiar with certain physical characteristics.
5. Benjamin V. Balos has made a visual observation concerning public streets, access, drainage, and topography of the subject property.
6. Benjamin V. Balos has obtained information regarding public utilities and sanitary sewer available at the subject property.
7. Benjamin V. Balos has made, or obtained from other qualified sources, calculations on the area of land contained within the subject property. He has obtained a plat drawing indicating the subject property and checked said plat drawing for accuracy and fair representation.
8. Benjamin V. Balos has taken photographs of the subject site, together with photographs of the immediate environs.
9. Benjamin V. Balos has made a search of public records for factual information regarding recent sales of the subject property.

SCOPE OF THE APPRAISAL (Continued)

10. Benjamin V. Balos has reviewed current maps, zoning ordinances, and other material for additional background information pertaining to the subject property, as well as the comparable land sale properties.
11. The appraisers have attempted to visualize the subject property as it would be viewed by a willing and informed buyer, as well as a willing and informed seller.
12. The appraisers have interviewed various persons, in both public and private life, for factual and inferential information helpful in this appraisal study.
13. The appraisers have formed an opinion of the highest and best use applicable to the property appraised herein.
14. The appraisers have (1) made a search for recent sales of comparable land parcels, and (2) viewed and obtained certain information pertaining to each sale property contained in this report.
15. The appraisers have formed an estimate of the fair market value of the subject property, as of the date of value expressed herein, by application of the Sales Comparison Approach. The Cost Approach and Income Capitalization Approach were not considered applicable in the subject case.
16. The appraisers have prepared and delivered this appraisal report in accordance with the Uniform Standards of Professional Appraisal Practice, and in summation of all the activities outlined above.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made with the following understanding as set forth herein:

1. This narrative Appraisal Report is intended to comply with reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice, under Standard Rule 2-2(a), for an Appraisal Report. The information contained in this report is specific to the needs of the client; no responsibility is assumed for the unauthorized use of this report.
2. Title to the subject site is assumed to be good and merchantable. Liens and encumbrances, if any, have not been deducted from the final value estimate. The vesting was obtained from a preliminary title report provided for review, and has been relied upon as being accurate; the subject site has been appraised as though under responsible ownership. The legal description is assumed to be accurate.
3. The appraisers assume that there are no hidden or unapparent conditions of the subject site, subsoil, etc., which would render it more or less valuable, unless otherwise stated. No responsibility is assumed for such conditions or for the engineering which might be required to discover such conditions. The property appraised herein is assumed to meet all governmental codes, requirements, and restrictions, unless otherwise stated.
4. No soils report was provided for review, therefore, information provided by other qualified sources is believed accurate, but no liability is assumed for such matters. Information, estimates, and opinions furnished by others and contained in this report, pertaining to the subject property and comparable sales, were obtained from sources considered reliable, and are believed to be true and correct, however, the appraisers assume no responsibility for the accuracy of such items.
5. Unless stated otherwise, it is assumed that there are no easements, encroachments, soil toxics, or other physical conditions adversely affecting the value of the subject property.
6. No reports pertaining to mold, organic toxins, or chemical substances at the subject site were provided for review; any information provided by qualified sources is assumed to be accurate, but no liability is assumed by the appraisers. The subject site has been appraised assuming the absence of toxic substances which may adversely affect the value of the site.

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

7. No opinion is expressed regarding matters which are legal in nature or which require specialized investigation or knowledge ordinarily not employed by real estate appraisers, even though such matters may be mentioned in this appraisal report.
8. No oil or mineral rights have been included in the opinion of value expressed herein. Further, that oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.
9. The valuation of the property appraised is based upon economic and financing conditions prevailing as of the date of value utilized herein. The valuation assumes good, competent, and aggressive management of the subject property.
10. The appraisers have conducted a visual inspection of the subject property, as well as the comparable sale properties, from the adjacent public rights of way. Should subsequent information be provided relative to changes or differences in (1) the quality of title, (2) physical condition or characteristics of the property and/or (3) governmental restrictions and regulations, which would increase or decrease the value of the subject property, the appraisers reserve the right to amend the final estimate of value.
11. The appraisers are not required to give testimony in court or at any governmental or quasi-governmental hearing with reference to the property appraised, unless contractual arrangements have been previously made.
12. Drawings, maps, and other exhibits in this report are for illustration purposes only and are not necessarily prepared to standard engineering or architectural scale.
13. This report is effective only when considered in its entire form, as delivered to the client. No portion of this report will be considered binding if taken out of context.
14. Possession of this report does not carry with it the right of publication, nor shall the contents of this report be copied or conveyed to the public through advertising, public relations, sales, news, or other media, without the written consent and

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

approval of the appraisers, particularly with regard to the valuation of the property appraised and the identity of the appraisers, or the firm with which they are connected, or any reference to the Appraisal Institute, or the American Society of Appraisers, or designations conferred by said organizations.

15. The form, format, and phraseology utilized in this report, except the Certification and Terms and Definitions, shall not be provided used by any other real estate appraiser, economist, broker, salesperson, property manager, valuation consultant, investment counselor, or others, without the written consent and approval of John P. Laurain, President, R. P. Laurain and Associates, Inc.
16. This appraisal is considered completely confidential. The appraisers will not disclose, in whole or in part, the contents of this appraisal, with anyone other than the client or persons designated by the client.

TERMS AND DEFINITIONS

Certain technical terms have been utilized in this appraisal report, which are defined herein, for the benefit of those who may not be fully familiar with said terms.

FAIR MARKET VALUE:

The definition of fair market value utilized herein is taken from the California Code of Civil Procedure, Section 1263.320, which states:

“(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.”

SALES COMPARISON APPROACH:

The Sales Comparison Approach is one of the three accepted methods of estimating Market Value. This approach consists of the investigation of recent sales of similar properties to determine the price at which said properties sold. The information so gathered is judged and considered by the appraisers as to its comparability to the subject property. Recent comparable sales are the basis for the Sales Comparison Approach.

COST APPROACH:

The Cost Approach consists of estimating the new construction cost of the building and yard improvements and making allowances for depreciation. The depreciated reconstruction value of the improvements is then added to the Land Value estimate gained from the Sales Comparison Approach. The sum of these two figures is the value indicated by the Cost Approach.

TERMS AND DEFINITIONS (Continued)

INCOME CAPITALIZATION APPROACH:

The Income Capitalization Approach consists of capitalizing the net income of the property under study. The capitalization method studies the income stream, allows for (1) vacancy and credit loss, (2) fixed expenses, and (3) operating expenses, and estimates the amount of money which a prudent investor would pay to obtain the net income. The capitalization rate is commensurate with the risk and may be adjusted for future value appreciation or depreciation.

DEPRECIATION:

Depreciation refers to a lessening in value from any of several causes. Depreciation is not based on age alone, but can result from a combination of age, condition or repair, functional utility, neighborhood influences, or any outside economic causes. Depreciation applies only to improvements. The amount of depreciation is a matter for the judgment of the appraisers.

HIGHEST AND BEST USE:

The term "highest and best use" describes that private use which will (1) yield the greatest net return on the investment, (2) be permitted (or have reasonable probability of being permitted) under applicable laws, and (3) be appropriate and feasible under a reasonable planning, zoning, and land use concept.

SUBJECT PROPERTY DESCRIPTION

SUBJECT PROPERTY



Aerial photograph of subject property (outlined in blue).

APPARENT VESTEE:

Prism Realty Corporation
Infill Property Partners, II, LLC
EFT Lot 14, LLC

ADDRESS/LOCATION:

Address not assigned. The subject property is located on the northeast side of Auto Drive North, at the corner of Auto Drive South, in the City of Compton. The subject site is part of the Gateway Towne Center (at southwest portion of said shopping center). The subject site is located (1) adjacent southwest of the Compton Creek flood control channel, (2) northwest of the Crystal Casino, and (3) northeast of Metro's Artesia Blue Line Station. As can be noted in the aerial photograph, the flood control channel includes an at-grade asphalt-paved parking lot over a portion of the channel, which parking lot (1) is utilized as part of the Gateway Towne Center, and (2) effectively "connects" the subject site with said shopping center.

SITE DESCRIPTION

LEGAL DESCRIPTION:	Lot 14, Tract No. 061885, City of Compton, County of Los Angeles, State of California, per map recorded in Book 1325, Pages 50 to 53 of Maps, in the Los Angeles County Recorder's office.
LAND SHAPE:	Largely rectangular land configuration.
DIMENSIONS:	Various dimensions; refer to Assessor's Map on following page.
LAND AREA:	Per Los Angeles County Assessor records, the subject property contains 52,140 square feet of land, or 1.197± acres. Note that Assessor's mapping indicates a land area of 1.12 acres. For appraisal purposes, a land size of 52,140 square feet has been utilized herein.
TOPOGRAPHY:	The topography at the subject site is effectively level and generally at grade with the adjacent streets.
DRAINAGE:	Appears to be adequate.
FLOOD HAZARD:	Per FEMA Flood Zone Map 06037C1815F, dated September 26, 2008, the subject site is located in an Area of Minimal Flood Hazard portion of Flood Zone X. Note that flood insurance is not federally required by lenders for loans on properties located in Flood Zone X.
EARTHQUAKE FAULT:	Per maps provided by the State of California and the US Geological Survey, the subject site is not located within an active earthquake fault, however, the greater Southern California area is prone to earthquakes. No seismic or geological studies were provided for review. No responsibility is assumed for the possible impact that seismic activity or earthquakes may have on the subject property.

ASSESSOR
ANGELES
© 2002



SITE DESCRIPTION (Continued)

SOIL CONTAMINATION:	None known or observed, however, an environmental assessment report was not provided for review. The subject site has been appraised as though free of soil contaminants requiring remediation.
OIL/MINERAL RIGHTS:	Per a Preliminary Title Report (PTR) prepared by First American Title Insurance Company, dated as of May 18, 2020, the subject property excludes "all oil, oil rights minerals, mineral rights, natural gas, natural gas rights and other hydrocarbons by whatsoever name known that may be within or under the parcel of land hereinabove described." The subject appraisal specifically excludes any existing oil or mineral rights. Further, oil or mineral rights, if existing, are assumed to be at least 500 feet below the surface of the land, without the right of surface entry.
BIOLOGICAL ASSESSMENT:	A biological assessment report was not provided for review. The site has been appraised as though free of any protected species or habitat (plants, insects, birds, animals, etc.).
FRONTAGE/ACCESS:	The subject property has 730± feet of frontage on the northeast side of Auto Drive North. Vehicular access onto the subject site is via two existing curb cuts (drive aprons) on Auto Drive North. Note that the site is also accessible via the adjacent northeast parcel (portion of Compton Creek), which "connects" the subject site to the larger Gateway Towne Center.
RIGHT OF WAY WIDTH:	Auto Drive North: 60 feet Auto Drive South: 60 feet
STREET TYPE:	Auto Drive North and Auto Drive South represent asphalt- and concrete-paved secondary streets containing two traffic lanes (one in each direction).

SITE DESCRIPTION (Continued)

CURB, GUTTER, SIDEWALK: Both streets include concrete curbs and gutters along both side of the street, as well as concrete sidewalks along one side of the street.

STREET LIGHTING: Both streets include streetlights mounted on ornamental standards.

UTILITIES: Public utilities available in the immediate area include domestic water, natural gas, electric power, sanitary sewer, and telephone/internet service.

ENCROACHMENTS: None apparent, however, an ALTA survey of the subject property was not provided for review.

EASEMENTS: Per a Preliminary Title Report (PTR) prepared by First American Title Insurance Company, dated as of May 18, 2020, the subject property is not encumbered with any recorded easements. It is assumed that there are no unrecorded "cross-lot" or "blanket" easements encumbering the subject site.

ILLEGAL USES: None observed.

PRESENT USE: Asphalt-paved parking lot, utilized as part of Gateway Towne Center (retail shopping center)

ZONING: The subject property is located in the CL (Limited Commercial) zone district of the City of Compton. The General Plan land use designation is General Commercial.

Uses permitted in the CL zone include retail, office, service, and restaurant uses. Multiple family residential developments are permitted subsequent to obtaining a Conditional Use Permit (CUP), at a maximum density of 34 dwelling units per acre. Manufacturing, warehouse, single family dwellings, and pawn shops are not permitted in the CL zone district.

SITE DESCRIPTION (Continued)

ZONING: (Continued)

It is understood that an existing conditional use permit (CUP No. 2482) pertaining to the larger subject development allows the subject site to be developed with (1) a self-storage facility, or (2) a multi-family development, at a maximum density of 34 dwelling units per acre.

Development standards in the CL zone district include a minimum lot size of 10,000 square feet and a maximum building height of 75 feet. The front yard setback is 10 feet; there are no required side or rear yard setbacks, except when abutting a residential zone, in which case the requirement is 10 feet.

HIGHEST AND BEST USE:

Refer to the first portion of the Valuation Analysis Section for a discussion regarding the highest and best use of the subject site.

IMPROVEMENTS

COMMENT:

The subject property represents an effectively vacant land parcel utilized as a parking lot. On-site improvements include asphalt paving, concrete curbs, concrete wheel stops, light standards, shrubbery and tree landscaping, etc.

OWNERSHIP HISTORY

COMMENT:

The subject property has effectively been owned by Prism Realty, under various entities, for more than three years; the property was purchased from former Compton Redevelopment Agency in 2016. It is understood that the development agreement pertaining to the adjacent Gateway Towne Center, developed by Prism Realty, included an option to purchase the subject property. As such, the last sale of the subject property is not considered relevant to the current fair market value. Note that there have been a number of recent transfers of title, however, said transfers were between related parties (not arm's length sales).

ASSESSMENT DATA

ASSESSOR'S PARCEL NO.: 7318-003-077

ASSESSED VALUATIONS: Land: \$1,734,000
Improvements: \$ 00

TAX CODE AREA: 2849

TAX YEAR: 2019-2020

REAL ESTATE TAXES: \$34,647.44 *

OWNER NOTIFICATION

COMMENT: The property owner (Prism Realty) was notified of the appraisal by the City of Compton. The appraisers contacted Eric Eklund of Prism Realty and scheduled an on-site appraisal inspection for May 26, 2020. The inspection was conducted on said date, in the presence of Eric Eklund of Prism Realty. The inspection included walking through the subject property and taking representative photographs of the subject site.

Note that Austin S. Ku inspected the subject property from the adjacent public rights of way, on June 3, 2020.

NEIGHBORHOOD ENVIRONMENT

LOCATION: The subject property is located in the southerly portion of the City of Compton. Neighboring and adjoining communities include the Cities of Lynwood, Paramount, Long Beach, and Carson, as well as the Rosewood, Willowbrook, and Rancho Dominguez Districts of unincorporated Los Angeles County.

* Real estate taxes will be adjusted upon sale of the subject property. The adjusted real estate tax burden will be 1.61331% of the sale price (Assessor's "cash value"). In the absence of a sale, or capital improvements, the maximum allowable increase in the assessed value is 2.0% per year (Proposition 13).

NEIGHBORHOOD ENVIRONMENT (Continued)

LAND USES:	Land uses in the subject neighborhood include primarily commercial uses. As previously stated, the subject site is part of the Gateway Towne Center (at southwest portion of said shopping center). The subject site is located (1) adjacent southwest of the Compton Creek flood control channel, (2) northwest of the Crystal Casino, and (3) northeast of Metro's Artesia Blue Line Station. Note that properties located west of said railroad corridor are developed primarily with industrial uses.										
PRIMARY STREETS:	Primary east-west streets in the subject area include Alondra Boulevard, Greenleaf Boulevard, and Artesia Boulevard. Primary north-south streets in the area include Alameda Street, Wilmington Avenue, and Long Beach Boulevard.										
FREEWAYS:	The Gardena (91) Freeway is located immediately south (450± feet) of the subject site. The Long Beach (710) Freeway is located approximately 1½ miles east of the subject site.										
BUILD-UP:	The subject neighborhood is approximately 90% built-up, including off-street parking lots, public and quasi-public facilities, public rights of way (roads, railroad corridors, etc.), etc.										
OCCUPANCY:	<table><tr><td>Single family residential:</td><td>90± % owners 10± % tenants</td></tr><tr><td>Low Density MFR:</td><td>30± % owners 70± % tenants</td></tr><tr><td>High Density MFR:</td><td>1± % owners 99± % tenants</td></tr><tr><td>Commercial properties:</td><td>30± % owners 40± % tenants</td></tr><tr><td>Industrial properties:</td><td>40± % owners 60± % tenants</td></tr></table>	Single family residential:	90± % owners 10± % tenants	Low Density MFR:	30± % owners 70± % tenants	High Density MFR:	1± % owners 99± % tenants	Commercial properties:	30± % owners 40± % tenants	Industrial properties:	40± % owners 60± % tenants
Single family residential:	90± % owners 10± % tenants										
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High Density MFR:	1± % owners 99± % tenants										
Commercial properties:	30± % owners 40± % tenants										
Industrial properties:	40± % owners 60± % tenants										

NEIGHBORHOOD ENVIRONMENT (Continued)

AGE RANGE:

The age range of all types of improved properties is rather broad. Generally, the age range is effectively new to exceeding 80 years. Many single family residential properties were constructed during the 1950s and 1960s, however, there have been a number of new single family and multiple family residential developments in the greater subject market area. Low density multiple family residential and apartment building properties range in age from approximately 10 years to 60 years. Typical commercial and industrial properties have effective ages of approximately 20 to 40 years.

MEDIAN HOME PRICE:

Per Zillow's Home Price Index, as of March 31, 2020, the median home price in the City of Compton is \$444,153; the median home price in the subject mailing zip code (90220) is \$447,114.

RESIDENTIAL TREND:

There was an upward value trend affecting residential properties in the subject market area, from 2001 through the mid portion of 2006, after which property values generally stabilized.

Beginning in 2007, residential property values in the subject market began to decrease significantly. The decrease in residential sales activity and pricing continued through the latter portion of 2008, due primarily to the subprime credit and housing crisis, as well as a lack of available financing.

In the first portion of 2009 residential values abruptly stabilized, due primarily to fiscal stimulus programs and first time home buyer tax credits. The residential real estate market remained largely flat (level) through the mid portion of 2012.

NEIGHBORHOOD ENVIRONMENT (Continued)

RESIDENTIAL TREND: (Cont.) Residential property values in the greater subject market area began to increase in the first part of 2013, due largely to the continued availability of relatively low mortgage interest rates. Said price increase generally continued through the latter portion of 2019, although the rate of increase was somewhat lower between the first part of 2018 and the latter part of 2019.

COMMERCIAL TREND: Real estate trends affecting commercial properties (as well as industrial properties) in the subject market area experienced an upward value trend from 2002 through the first portion of 2007, after which property values generally stabilized.

In the first portion of 2008, the commercial and industrial real estate market began to experience a dramatic decrease in price levels and development activity, which decrease continued through the latter portion of 2009.

Commercial and industrial property values in the subject market generally stabilized in the early portion of 2010 and remained generally stable (level) for 18 to 24 months.

In the mid portion of 2012, the number of commercial and industrial property sale transactions began to increase, leading to property price increases, beginning in the first portion of 2013, and generally continuing through the first portion of 2020, although the rate of increase at commercial properties (retail, office, restaurant, etc.) was somewhat lower between the first part of 2018 and the latter part of 2019, compared to industrial properties, which continued to increase at relatively strong rates, due to the strong demand for industrial warehouse space (both for lease and for sale), which demand outpaces existing available supply, in the greater subject market area.

NEIGHBORHOOD ENVIRONMENT (Continued)

COVID-19 PANDEMIC:

This appraisal was performed during the ongoing coronavirus (COVID-19) pandemic, which pandemic was causing widespread and significant economic impacts.

The ongoing pandemic, coupled with local, State, and Federal "Stay-at-home" (lockdown) orders, led to (1) a sharp decline in the stock market, from mid-February 2020 through the latter part of March 2020, and (2) a drastic increase in the unemployment rate, resulting in economic uncertainty at the present time, due to the ongoing COVID-19 pandemic.

While the effects of COVID-19 on the real estate market are not yet measurable, due to the lack of current data (average sale prices, reduction in asking prices, extended marketing time/days on market, decreased development activity, etc.), it is anticipated that real estate values at certain property types may be negatively affected.

Various commercial brokers have indicated that commercial property values (retail, office, restaurant, hotel, etc.) have likely declined significantly, though there isn't yet data to measure said decline, as consummated commercial and industrial property transactions, which were negotiated during the ongoing COVID-19 pandemic, are virtually non-existent at the present time. While said decline in real estate values is anticipated in the near future, as of the date of value utilized herein (effective date), the extent and severity of said decline is unknown.

Residential real estate prices, especially as pertains to single family residences, appear to be largely unaffected by the COVID-19 pandemic. While the number of sale transactions decreased at the start of the lockdown, a number

NEIGHBORHOOD ENVIRONMENT (Continued)

COVID-19 PANDEMIC: (Cont.) of agents, as well as various published articles, have indicated that residential buying activity has surged over the past four to six weeks, with some residential property listings receiving multiple offers, sometimes at above asking price.

POLICE/FIRE PROTECTION: The City of Compton provides fire protection; police protection is provided via contractual arrangement with the Los Angeles County Sheriff's Department.

PUBLIC/PRIVATE FACILITIES: The availability of commercial facilities, industrial centers, housing, schools, transportation, parks, recreational opportunities, and other public facilities in the City of Compton, is rated average.

See Valuation Analysis in the following section.

VALUATION ANALYSIS

VALUATION ANALYSIS

The purpose of this appraisal is to estimate the fair market value of the fee simple interest in the subject property, as of the date of value utilized herein. Prior to the application of the appraisal process, it is necessary to consider and analyze the highest and best use of the subject property.

HIGHEST AND BEST USE ANALYSIS:

The 14th Edition of The Appraisal of Real Estate, by the Appraisal Institute, defines highest and best use on Page 332, as follows:

"The reasonably probable use of property that results in the highest value."

In the analysis of which uses are reasonably probable, three criteria are applied in the following order to develop adequate support for the determination of highest and best use:

1. Physically possible
2. Legally permissible
3. Financially feasible

While these criteria are generally considered sequentially, the tests of physical possibility and legal permissibility can be applied in either order, but they must both be applied before the test of financial feasibility. Uses that meet all three criteria of being reasonably probable are then tested for economic productivity, to identify the maximally productive use. The reasonably probable use with the highest value (i.e. maximally productive) is the highest and best use. In the process of forming an opinion of highest and best use, consideration must be given to various environmental and political factors such as zoning restrictions, probability of zone change, private deed restrictions, location, land size and configuration, topography, and the character/quality of land uses in the immediate and general subject market area.

The subject property represents an effectively vacant land parcel identified as APN 7318-003-077; note that the property is currently utilized as part of a larger asphalt-paved parking area for the adjacent Gateway Towne Center. The subject property contains 52,140 square feet of land (1.197± acres) and effectively level topography; the site includes extensive frontage on Auto Drive North, a secondary street which "wraps" around three sides the of the subject property (transitions to Auto Drive South at southeast site frontage). Access to the subject site is rated average. Site prominence and exposure are rated below average, due to the secondary street frontage; note, however, that the secondary street frontage is considered ideal for residential development, due to reduced traffic and noise pollution.

VALUATION ANALYSIS (Continued)

HIGHEST AND BEST USE ANALYSIS: (Continued)

All public utilities, including water, gas, electric power, telephone, and sanitary sewer are available to the site. The physical characteristics of the subject parcel are considered adequate to accommodate legally permissible uses.

Land uses in the subject neighborhood include primarily commercial uses. As previously stated, the subject site is part of the Gateway Towne Center (at southwest portion of said shopping center). The subject site is located (1) adjacent southwest of the Compton Creek flood control channel, (2) northwest of the Crystal Casino, and (3) northeast of Metro's Artesia Blue Line Station. Note that properties located west of said railroad corridor are developed primarily with industrial uses.

The subject property is located in the CL (Limited Commercial) zone district of the City of Compton. The General Plan land use designation is General Commercial. Uses permitted in the CL zone include retail, office, service, and restaurant uses. Multiple family residential developments are permitted subsequent to obtaining a Conditional Use Permit (CUP), at a maximum density of 34 dwelling units per acre. Manufacturing, warehouse, single family dwellings, and pawn shops are not permitted in the CL zone district.

It is understood that an existing conditional use permit (CUP No. 2482) pertaining to the larger subject development allows the subject site to be developed with (1) a self-storage facility, or (2) a multi-family development, at a maximum density of 34 dwelling units per acre.

After considering (1) the permitted uses at the subject property, based on the CL (Limited Commercial) zone designation, (2) the size of the subject property, (3) the frontage on a secondary street, and (4) the proximity to the Artesia Blue Line Station, the highest and best use of the subject property is multiple family residential development, in accordance with current zoning, density, and development standards. Note that the subject site could reasonably support development of up to 40 dwelling units, based on the maximum density permitted in the CL zone. Said development density has been applied to the subject property for analysis purposes.

VALUATION METHODS:

There are three conventional methods which can be used to estimate value. They are the Sales Comparison Approach, Cost Approach, and Income Capitalization Approach.

VALUATION ANALYSIS (Continued)

VALUATION METHODS: (Continued)

The reader is referred to the last portion of the Preface Section for a brief description of each approach to value. Inasmuch as the subject property is an effectively vacant land parcel, the Sales Comparison Approach is the only approach considered applicable as a reliable indicator of land value.

SALES COMPARISON APPROACH:

In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. Thus, the Sales Comparison Approach attempts to equate the subject land parcel with sales of comparable land parcels, by analyzing and weighing the various elements of comparability.

The Sales Comparison Approach has been applied to the subject site after an investigation was conducted of comparable land parcels which sold in the subject market area.

The reader is referred to the Market Data Section for (1) detailed information pertaining to each comparable sale property, and (2) a Market Data Map that depicts the location of each sale property.

The reader is referred to the summary of Vacant Land Sale Properties on the following page. The last entry on the summary represents the subject property and is included to help the reader see the various characteristics of the subject site, as compared to the comparable sale properties; the date and sale price represent the date of value utilized herein and the land value conclusion.

The properties surveyed consist of vacant land parcels ranging in size from 17,689 to 66,334 square feet, or $0.406\pm$ to $1.523\pm$ acres. The unit rates range are within a range of \$23.34 to \$40.30 per square foot of land area. The sales are set forth in chronological order and took place between February 2018 and March 2020. All of the sales, except Data 3 and 7, were purchased for multiple family residential development. Data 3 and 7 are located in the CL zone of the City of Compton, which is the same zone designation as subject property. Note that Data 3 was sold by the City of Compton, as an arm's length market sale transaction; the buyer developed the "Compton Car Studio Express Wash" car wash facility on the site. Note that Data 7 represents the net usable land area at the site, after a required street dedication area.

Vacant Land Sale Properties:

<u>Data</u>	<u>Sale Date</u> <u>Address</u>	<u>Zoning</u>	<u>Land Size</u>	<u>Corner</u> <u>Street Type</u>	<u>No. of Units</u> <u>Density</u>	<u>Sale Price</u>	<u>\$ Per SF</u> <u>\$ Per Unit</u>
1	2-18 2800 W. Rosecrans Ave., Gardena	P	43,265 sf 0.993 ac	yes primary	16 1 / 2,704	\$1,075,000	\$24.85 \$67,188
2	6-18 9958 Artesia Blvd., Bellflower	MU	66,334 sf 1.523 ac	no primary	29 1 / 2,287	\$2,200,000	\$33.17 \$75,862
3	7-18 305-315 N. Long Beach Blvd., Compton	CL	17,689 sf 0.406 ac	yes primary	N.A.-Com.	\$510,000	\$28.83 N.A.
4	8-18 1348 W. 168th St., Gardena	Normandie Estates SP	30,698 sf 0.705 ac	no secondary	10 1 / 3,070	\$1,237,000	\$40.30 \$123,700
5	8-18 809 E. Pine St., Compton	RH	21,786 sf 0.500 ac	no secondary	6 1 / 3,631	\$535,000	\$24.56 \$89,167
6	9-19 4936 Clara St., Cudahy	HDR	20,213 sf 0.464 ac	no secondary	18 1 / 1,123	\$790,000*	\$39.08 \$43,889
7	3-20 1330 S. Long Beach Blvd., Compton	CL	20,569 sf 0.472 ac	no primary	16 1 / 1,286	\$480,000	\$23.34 \$30,000
SP	5-20 None; frontage on Auto Drive North, Compton	CL	52,140 sf 1.197 ac	effectively no secondary	40 1 / 1,304	\$1,775,000	\$34.04 \$44,375

* Effective sale price (net of seller concessions)

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

The first adjustments applied to the sale properties, when warranted, are known as transactional adjustments. Said transactional adjustments are generally applied to the sale properties in the sequence listed below, and are made cumulatively (i.e. the base changes before applying the next adjustment). Following is the list of transactional adjustments.

- Property rights conveyed
- Financing (cash equivalency)
- Conditions of sale
- Expenditures after sale
- Market conditions

Property Rights Conveyed:

An adjustment is required when a sale transaction conveyed a different set of property rights, compared to the property rights being appraised, such as leased fee estate vs. fee simple estate. None of the comparable land sale properties utilized herein required an adjustment for property rights conveyed, as all of the land sale properties conveyed title to the fee simple interest in each property.

Financing and Cash Equivalency:

Sale properties are adjusted for financing arrangements involved in transactions which are not market-typical. A cash equivalency adjustment is generally made in those cases wherein the financing of a particular property caused a higher purchase price. Common examples include seller financing, or assumption of existing financing, at non-market terms. All of the comparable sale transactions, except Data 5, involved all cash transactions. Data 5, which was purchased for multiple family residential development, included 59% cash down with conventional financing. Based on the foregoing, a cash equivalency adjustment is not warranted for any of the comparable land sale transactions.

Conditions of Sale:

An adjustment for conditions of sale is often required when a property sold under atypical conditions, such as (1) a buyer or seller being under duress (REO transactions, distressed sales, etc.), (2) a property selling as part of a bulk portfolio sale, (3) a developer paying a premium to acquire an adjacent property as part of assembling a larger development site, or (4) other situations where the motivation of a buyer or seller affects the price paid for a property.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Another item which can be accounted for in the "conditions of sale" adjustment is seller concessions, which lower the effective price paid by a buyer. It is necessary to consider said seller concessions in order to reflect the effective sale price.

Data 6 included a seller concession of \$10,000, as part of the sale transaction. Note, however, that said seller concession was deducted from the sale price, and the effective sale price has been utilized herein. Based on the foregoing, none of the sales required an adjustment for conditions of sale.

Expenditures after Sale:

An adjustment to a sale transaction is applicable when a buyer anticipates a particular expenditure that he/she will have to expend shortly after purchasing a property; the price paid by a knowledgeable buyer takes into consideration such required expenditures. Said expenditures can include (1) the cost to remediate known environmental contamination, (2) the cost to cure deferred maintenance at a building, or (3) similar costs that a buyer anticipates making upon purchase of a property, such as the cost to demolish an existing structure when an improved property is purchased for redevelopment.

While building demolition costs can be accounted for as expenditures after sale, in the subject case, building improvements and/or demolition costs applicable to the various land sale properties were accounted for on a qualitative basis, in the "elements of comparability" portion of this report.

Market Conditions:

Consideration of the market conditions (date of sale) is appropriate when certain sale properties occur during a rising or declining market. The consideration for market conditions is based upon observation of the real estate market and value cycles dating back more than 15 years.

The market conditions adjustments utilized herein are based on (1) discussions with various market participants (agents, brokers, developers, etc.), (2) observations of local real estate market trends (sales activity, listing activity, development activity, etc.), and (3) a review of sale prices and asking prices at comparable vacant land parcels in the greater subject market area.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

There was an upward value trend affecting residential properties in the greater subject market area, from 2001 through the mid portion of 2006, after which property values generally stabilized. Beginning in 2007, residential property values in the subject market began to decrease significantly. The decrease in residential sales activity and pricing continued through the latter portion of 2008, due to the ongoing subprime credit and housing crisis, as well as a lack of available financing. In the first portion of 2009 residential values abruptly stabilized, due primarily to fiscal stimulus programs and first time home buyer tax credits. The residential real estate market remained largely flat (level) through the mid portion of 2012.

Residential property values in the greater subject market area began to increase in the first part of 2013, due largely to the continued availability of relatively low mortgage interest rates. Said price increase generally continued through the latter portion of 2019, although the rate of increase was somewhat lower between the first part of 2018 and the latter part of 2019.

This appraisal was performed during the ongoing coronavirus (COVID-19) pandemic, which pandemic was causing widespread and significant economic impacts. The ongoing pandemic, coupled with local, State, and Federal "Stay-at-home" (lockdown) orders, led to (1) a sharp decline in the stock market, from mid-February 2020 through the latter part of March 2020, and (2) a drastic increase in the unemployment rate, resulting in economic uncertainty at the present time, due to the ongoing COVID-19 pandemic.

Residential real estate prices, especially as pertains to single family residences, appear to be largely unaffected by the COVID-19 pandemic. While the number of sale transactions decreased at the start of the lockdown, a number of agents, as well as various published articles, have indicated that residential buying activity has surged over the past four to six weeks, with some residential property listings receiving multiple offers, sometimes at above asking price.

While the effects of COVID-19 on the real estate market are not yet measurable, due to the lack of current data (average sale prices, reduction in asking prices, extended marketing time/days on market, decreased development activity, etc.), it is anticipated that real estate values at certain property types may be negatively affected.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Based on the foregoing, quantitative time adjustments (i.e. market conditions adjustments) have been applied to the various land sales utilized herein, for 2017, 2018, and 2019, based on the following schedule:

January-December 2017: + 6.0% per year, or + 0.5% per month
January-December 2018: + 6.0% per year, or + 0.5% per month
January-December 2019: + 6.0% per year, or + 0.5% per month

Due to the lack of recent data on which quantitative adjustments could be based, as pertains to January through June of 2020, due to the ongoing COVID-19 pandemic, market conditions adjustments for 2020 have been applied to the various land sale properties on a qualitative basis (as opposed to a quantitative basis).

Based on the foregoing, all of the land sale properties are considered superior to the subject property with respect to 2020 market conditions, due to the ongoing COVID-19 pandemic, and its anticipated negative effect on the real estate market.

Elements of Comparability:

After considering the various transactional adjustments applied to the comparable land sale properties, an analysis was made of a number of elements of comparability at the various land sale properties, as compared to the larger parcel. Following are said elements of comparability:

- Location
- Land size
- Zoning/permitted uses
- Number of units/density
- Corner/signalized intersection
- Traffic/noise pollution
- Access
- Topography
- Land configuration
- Site improvements/demolition
- Soil contamination
- Off-site/street improvements
- Encumbrances/site utility
- Plans/entitlements

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

It should be noted that the above elements of comparability were not assigned equal weight in analyzing each sale property. The location, number of units/-density, encumbrances/site utility, and plans/entitlements were considered the most important factors when analyzing the various land sale properties.

Land Sales Comparison Analysis:

The comparability adjustments applied to the various land sale properties are judgment estimates which are intended to equate the subject property with the respective sale properties. Adjustments for the various elements of comparability were applied on a qualitative basis due to the lack of direct market evidence regarding quantitative adjustments in the subject market.

The reader is referred to the Market Analysis Comparison Grid on the following page. As can be noted, Data 1 through 6 required transactional adjustments for market conditions, ranging from 1.5% to 11.0%. None of the land sales required adjustments for property rights conveyed, financing, conditions of sale, or expenditures after sale. All of the comparable land sales are considered superior to the subject property with respect to 2020 market conditions, due to the ongoing COVID-19 pandemic, and its anticipated negative effect on the real estate market. The comparability adjustments applied to the land sale properties are judgment estimates which are intended to equate the subject land parcel with the respective sale properties. Adjustments for the various elements of comparability were applied on a qualitative basis due to the lack of direct market evidence regarding quantitative adjustments in the subject market.

The subject site is located in the southerly portion of the City of Compton. The site is effectively part of the larger Gateway Towne Center. In addition, the site is located in close proximity to the Crystal Casino and Metro's Artesia Blue Line Station. The location adjustment takes into consideration (1) the specific location of each sale property, including general real estate values in the area, (2) the immediate environmental influences, and (3) the level and type of developments in the area. Data 1, 2, 4, and 6 are judged superior to the subject property with respect to location. Data 3, 5, and 7 are judged inferior to the subject site regarding location.

The density applied to the subject site is based on the maximum density permitted in the CL zone, which is 34 units per acre, or one unit per 1,281 square feet of land area. Based on the foregoing, the subject site could reasonably be developed with up to 40 residential dwelling units.

MARKET ANALYSIS COMPARISON GRID

	Data	1	2	3	4	5	6	7
	Subject Site							
Purchase price:	- - - - -	\$1,075,000	\$2,200,000	\$510,000	\$1,237,000	\$535,000	\$790,000	\$480,000
Rate per sq. ft.:	- - - - -	\$24.85	\$33.17	\$28.83	\$40.30	\$24.56	\$39.08	\$23.34
Transactional adjustments								
Property rights conveyed:	fee simple	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing:	- - - - -	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of sale:	- - - - -	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenditures after sale:	- - - - -	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Date of sale:	5-20	2-18	6-18	7-18	8-18	8-18	9-19	3-20
Market conditions, through 2019:	- - - - -	11.0%	9.0%	8.5%	8.0%	8.0%	1.5%	0.0%
Adjusted unit rates:	- - - - -	\$27.58	\$36.16	\$31.28	\$43.52	\$26.52	\$39.67	\$23.34
Market conditions, 2020 (COVID-19 consideration):	- - - - -	Sale is: superior	Sale is: superior	Sale is: superior	Sale is: superior	Sale is: superior	Sale is: superior	Sale is: superior
Comparability adjustments								
Location:	average	superior	superior	inferior	superior	inferior	superior	inferior
Land size:	1.197 ± acres	similar	similar	similar	similar	similar	similar	similar
Zoning/permitted uses:	average	similar	similar	similar	similar	similar	similar	similar
Number of units/density:	1 / 1,304	inferior	inferior	similar	inferior	inferior	similar	similar
Corner/signalized intersection:	average	superior	similar	superior	similar	similar	similar	similar
Traffic/noise pollution:	average	inferior	inferior	similar	superior	superior	superior	similar
Access:	average	similar	similar	superior	similar	similar	similar	superior
Topography:	effect. level	similar	similar	similar	similar	similar	similar	similar
Land configuration:	average	inferior	similar	similar	similar	similar	similar	similar
Site improvements/demolition:	as if vacant land	similar	similar	similar	similar	similar	similar	similar
Soil contamination:	as if clean	similar	similar	similar	similar	similar	similar	similar
Off-site/street improvements:	average	similar	similar	similar	similar	similar	similar	similar
Encumbrances/site utility:	average	inferior	similar	similar	similar	similar	similar	similar
Plans/entitlements:	none	similar	similar	similar	superior	superior	similar	similar
	Data	1	2	3	4	5	6	7
Comparability adjustment, including consideration for 2020 market conditions (COVID-19):		inferior	superior	inferior	superior	inferior	superior	inferior

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

The maximum allowable development density is an important factor when analyzing residential land sale properties. Note that the higher the density, the higher the overall rate per square foot of land area, all other elements of comparability being the same. Conversely, the higher the density, the lower the overall price per developable unit (inasmuch as there is a smaller land area per developable unit). As stated, the overall rate per square foot of land area has been utilized herein; the rate per developable unit was applied as a secondary check.

Data 1, 2, 4, and 5 are inferior to the subject site regarding development density, as said sales have densities ranging from one unit per 2,287 square feet to one unit per 3,631 square feet (lower density). Data 3, 6, and 7 are considered generally similar to the subject site regarding density, as (1) Data 3 and 6 are both zoned CL (same zone as subject property), and (2) Data 7 has a density of one unit per 1,286 square feet (compared to one unit per 1,281 square feet at subject site). As stated, Data 3 was purchased for development of a car wash facility, however the site could have reasonably been developed with multi-family, at up to 34 units per acre. The buyer's plans for Data 7 are unknown (commercial, multi-family, etc.).

The subject property includes extensive frontage on a secondary street, which street "wraps" around three sides of the subject site. As such, the subject site does not have a "true" corner location (i.e. the meeting of two separate streets). Data 1 and 3 have corner locations and are therefore considered superior to the subject site in that regard. The remaining land sale properties (Data 2, 4, 5, 6, and 7) are considered generally similar to the subject site regarding corner location.

The subject land parcel contains 52,140 square feet of land, or 1.197± acres. While larger properties, whether vacant or improved, generally sell at lower unit rates, compared to smaller properties, smaller commercial or multi-family vacant sites present additional development challenges, due to parking, setback, and open space requirements. As such, any discount applicable to the larger sites is considered offset by the increased utility and developability thereof. Based on the foregoing, all of the land sales are considered generally similar to the subject site regarding land size, as the properties range in size from 0.406± to 1.523± acres.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

The subject property is located on a secondary street, which is typically desirable for multiple family residential development, due to the lack of noise pollution. Note, however, that the subject site is also located in close proximity to Metro's Artesia Blue Line Station. Data 1 and 2, which have frontage on primary streets, are deemed inferior to the subject site regarding traffic/noise pollution. Note that Data 3 and 7 also have frontage on primary streets, however, said sites are zoned for, or were purchased for, commercial use; as such, the primary street frontage is not considered a detriment; based on the foregoing, Data 3 and 7 are considered generally similar to the subject property regarding traffic/-noise pollution. Data 4, 5, and 6 are considered superior to the subject property regarding traffic/noise pollution, as (1) said properties have frontage on secondary streets, and (2) are not located in close proximity to a railroad corridor.

Data 3 and Data 7 are judged superior to the subject site regarding access, as said sites include access via adjacent alleys (in addition to the main street frontage). The remaining sales (Data 1, 2, 4, 5, and 6) are considered generally similar to the subject site regarding access.

The subject site is rated average with respect to land configuration. All of the comparable land sales, except Data 1, are considered generally similar to the subject site regarding land configuration. Data 1 has a rather long and narrow configuration ($50\pm$ feet wide and $860\pm$ feet long), and is therefore judged inferior to the subject site regarding land configuration. Note that Data 1 is also inferior to the subject site regarding encumbrances/site utility, as the property is located over an existing storm drain easement which would complicate development, or may even require the relocation of said storm drain prior to development.

The subject site is currently developed with an asphalt-paved parking lot which would require demolition prior to development, however, required demolition costs are considered to be generally offset by the interim value and use provided by the subject parking lot. Note that all of the land sale properties are considered generally similar to the subject site regarding site improvements/demolition, as any required demolition is considered generally offset by the interim value provided by said improvements, during the required planning and entitlement phase.

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

The subject site is not currently entitled for development. Data 4 and 5 are superior to the subject site regarding plans/entitlements, as (1) Data 4 included architectural plans to develop 10 detached single family residences, and (2) Data 5 was entitled for development of six residential townhomes. The remaining sales (Data 1, 2, 3, 6, and 7) are considered generally similar to the subject site regarding plans/entitlements, as the sites were not entitled for development at the time of sale.

Refer to the Market Analysis Grid on Page 3-10 to see all of the adjustments applied to the various comparable land sale properties.

Conclusion:

Refer to the following array, which sets forth the various commercial and multiple family residential sales based on the overall comparability of each property, as compared to the subject site. As stated, the unit rates have been adjusted for transactional adjustments, which in the subject case is limited to market conditions. The adjusted unit rates range from \$23.34 to \$43.52 per square foot of land area, as follows:

<u>Data</u>	<u>Overall Comparability</u>	<u>Adjusted Rate Per SF Land</u>
4	superior	\$43.52
6	superior	\$39.67
2	superior	\$36.16
Subject	- - -	\$34.00
3	inferior	\$31.28
1	inferior	\$27.58
5	inferior	\$26.52
7	inferior	\$23.34

Based on the foregoing analysis, the unit rate applicable to the subject property is \$34.00 per square foot of land area, as follows:

$$\begin{aligned} 52,140 \text{ SF @ } \$34.00 &= \$1,772,760 \\ \text{Adjusted: } & \$1,775,000 \end{aligned}$$

VALUATION ANALYSIS (Continued)

SALES COMPARISON APPROACH: (Continued)

Inasmuch as the subject site can be developed with up to 40 residential dwelling units, the above adjusted value of \$1,775,000 equates to \$44,375 per developable unit, based on the maximum density of 40 units.

The sale properties, on a rate per developable unit basis, are within a wide range of \$43,889 to \$123,700 per developable unit, prior to making transactional adjustments (market conditions, etc.), as well as adjustments for the various elements of comparability.

The indicated rate per unit is toward the lower portion of the range indicated by the various sales, and is considered appropriate given the various attributes of the larger parcel (location, land size, etc.), as well as the relatively high density (higher density equates to lower rate per developable unit).

FINAL ESTIMATE OF VALUE:

Based on the foregoing valuation analysis, the fair market value of the fee simple interest in the subject property, as of May 26, 2020, is \$1,775,000.

MARKETING EXPOSURE:

The marketing exposure of a property is a direct function of supply and demand within a particular market segment. Generally, a higher demand results in a shorter marketing period. Note that marketing exposure is assumed to precede the effective date of the appraisal.

Based on the marketing exposure of the open space land sale properties utilized herein (i.e. "days on market"), as well as discussions with real estate brokers in the subject market, the required marketing exposure for the subject land parcel, assuming an aggressive and comprehensive marketing program, is approximately 6 to 12 months.

MARKET DATA

MARKET DATA SUMMARY

Vacant Land Sale Properties:

Data	Sale Date Address	Zoning	Land Size	Corner Street Type	No. of Units Density	Sale Price	\$ Per SF \$ Per Unit
1	2-18 2800 W. Rosecrans Ave., Gardena	P	43,265 sf 0.993 ac	yes primary	16 1 / 2,704	\$1,075,000	\$24.85 \$67,188
2	6-18 9958 Artesia Blvd., Bellflower	MU	66,334 sf 1.523 ac	no primary	29 1 / 2,287	\$2,200,000	\$33.17 \$75,862
3	7-18 305-315 N. Long Beach Blvd., Compton	CL	17,689 sf 0.406 ac	yes primary	N.A. -Com.	\$510,000	\$28.83 N.A.
4	8-18 1348 W. 168th St., Gardena	Normandie Estates SP	30,698 sf 0.705 ac	no secondary	10 1 / 3,070	\$1,237,000	\$40.30 \$123,700
5	8-18 809 E. Pine St., Compton	RH	21,786 sf 0.500 ac	no secondary	6 1 / 3,631	\$535,000	\$24.56 \$89,167
6	9-19 4936 Clara St., Cudahy	HDR	20,213 sf 0.464 ac	no secondary	18 1 / 1,123	\$790,000*	\$39.08 \$43,889
7	3-20 1330 S. Long Beach Blvd., Compton	CL	20,569 sf 0.472 ac	no primary	16 1 / 1,286	\$480,000	\$23.34 \$30,000
SP	5-20 None; frontage on Auto Drive North, Compton	CL	52,140 sf 1.197 ac	effectively no secondary	40 1 / 1,304	\$1,775,000	\$34.04 \$44,375

* Effective sale price (net of seller concessions)

MARKET DATA #1

2800 West Rosecrans Avenue
Gardena



GRANTOR:	Viltar, LLC	APN:	4064-001-001, 002
GRANTEE:	Cediddi Rath, LLC	LAND SIZE:	43,265 square feet 0.85 acres
SALE DATE:	February 14, 2018	ZONING:	P (Parking)
DOC. NO.:	152153	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$1,075,000	PRESENT USE:	Vacant land
TERMS:	All cash	BLDG. IMPS.:	None
CONFIRMED BY:	Market data resources		

VALUE INDICATION: \$24.85 per SF land

MARKET DATA #2

9958 Artesia Boulevard
Bellflower



GRANTOR:	Henry P. Tiemeyer Trust	APN:	7161-007-016 now APN 054
GRANTEE:	City Ventures Homebuilding, LLC	LAND SIZE:	66,334 square feet 1.523 acres
SALE DATE:	June 28, 2018	ZONING:	MU (Mixed Use)
DOC. NO.:	648310	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$2,200,000	PRESENT USE:	New townhome development
TERMS:	All cash	BLDG. IMPS.:	Commercial retail buildings demolished
CONFIRMED BY:	Market data resources		

VALUE INDICATION: \$33.17 per SF land

MARKET DATA #3

305-315 North Long Beach Boulevard
Compton



GRANTOR:	City of Compton	APN:	6178-025-906 to 910; now APNs 026 to 030
GRANTEE:	Frank and Krista S. Harvey Trust	LAND SIZE:	17,689 square feet 0.406 acres
SALE DATE:	July 30, 2018	ZONING:	CL (Limited Commercial)
DOC. NO.:	759514	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$510,000	PRESENT USE:	New car wash facility
TERMS:	All cash	BLDG. IMPS.:	None at time of sale
CONFIRMED BY:	Michael Antwine, representative of seller		

VALUE INDICATION: \$28.83 per SF land

MARKET DATA #4

1348 West 168th Street
Gardena



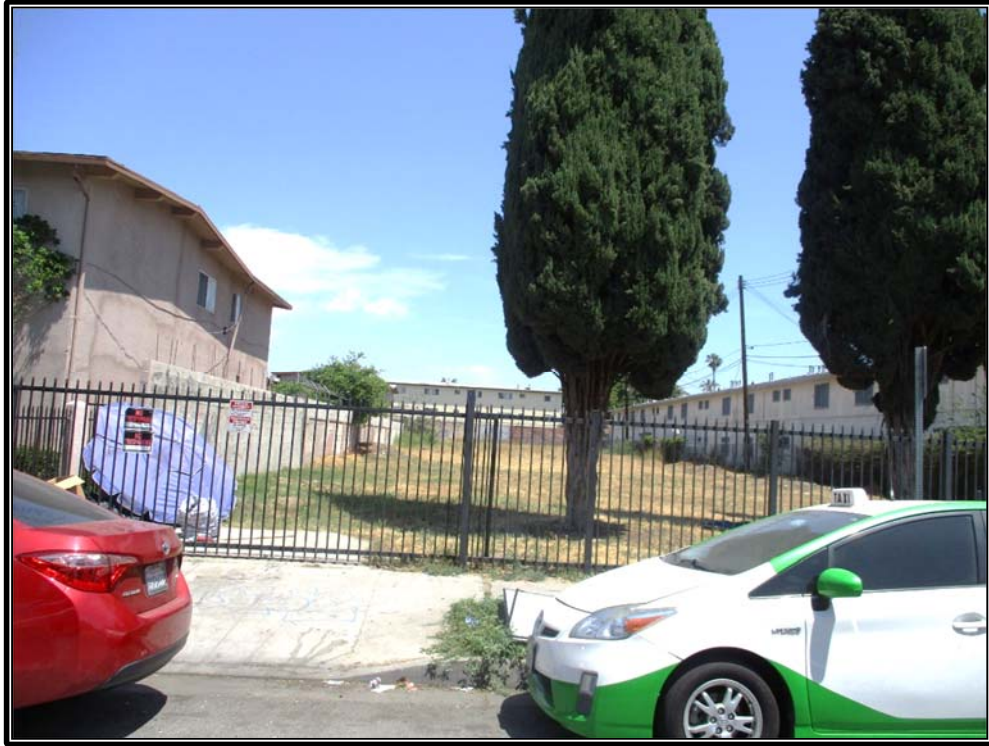
GRANTOR:	Han Y. Lee	APN:	6111-012-003
GRANTEE:	Homes on 168th, LLC	LAND SIZE:	30,698 square feet 0.705cres
SALE DATE:	August 23, 2018	ZONING:	Normandie Estates Specific Plan
DOC. NO.:	852623	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$1,237,000	PRESENT USE:	New single family resi- dential development
TERMS:	All cash	BLDG. IMPS.:	Duplex demolished subsequent to sale
CONFIRMED BY:	Vlad Rodov, listing agent		

VALUE INDICATION: \$40.30 per SF land

R . P . LAURAIN
& ASSOCIATES
APPRAISERS - ANALYSTS

MARKET DATA #5

809 East Pine Street
Compton



GRANTOR:	LA Land Trans4mations, LLC	APN:	6176-003-031
GRANTEE:	Mei L. Chen	LAND SIZE:	21,786 square feet 0.500 acres
SALE DATE:	August 30, 2018	ZONING:	RH (High Density Residential)
DOC. NO.:	879447	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$535,000	PRESENT USE:	Vacant land
TERMS:	\$219,000 conventional	BLDG. IMPS.:	None
CONFIRMED BY:	Juan Michael, listing agent		

VALUE INDICATION: \$24.56 per SF land

MARKET DATA #6

4936 Clara Street
Cudahy



GRANTOR:	Avelina C. Castillo	APN:	6226-025-014
GRANTEE:	Prabhdeep S. Dhanoa	LAND SIZE:	20,213 square feet 0.464 acres
SALE DATE:	September 20, 2019	ZONING:	HDR (High Density Residential)
DOC. NO.:	984970	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$800,000; \$10,000 concession; \$790,000 net	PRESENT USE:	Duplex scheduled for demolition
TERMS:	All cash	BLDG. IMPS.:	Duplex of nominal value
CONFIRMED BY:	Benjamin Iserhien, listing agent		

VALUE INDICATION: \$39.08 per SF land

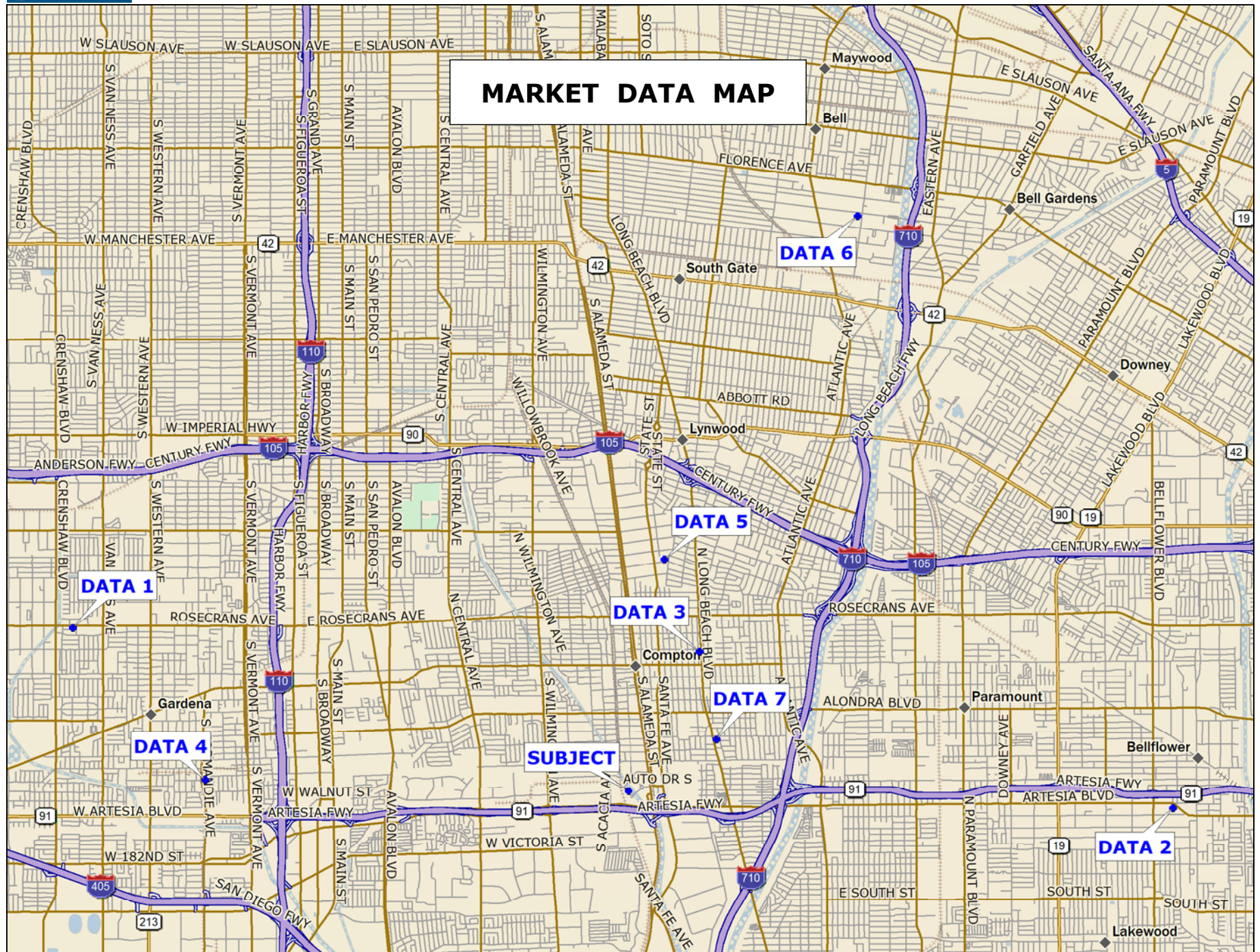
MARKET DATA #7

1330 South Long Beach Boulevard
Compton



GRANTOR:	Melvin Morris Trust	APN:	7302-017-022
GRANTEE:	Joseph Kohan and Yosef Halpert	LAND SIZE:	20,569 net square feet 0.472 acres
SALE DATE:	March 18, 2020	ZONING:	CL (Limited Commercial
DOC. NO.:	319938	TOPOGRAPHY:	Effectively level
SALE PRICE:	\$480,000	PRESENT USE:	Vacant land
TERMS:	All cash	BLDG. IMPS.:	None
CONFIRMED BY:	Jose Perez, listing agent		

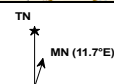
VALUE INDICATION: \$23.34 per net SF land



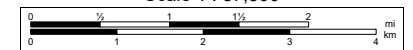
Data use subject to license.

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www.delorme.com



Scale 1 : 87,500



1" = 1.38 mi

Data Zoom 11-0

ADDENDA



PHOTO NO. 1: View looking northerly at subject property from Auto Drive North (at Auto Drive South).



PHOTO NO. 2: View looking easterly at subject property from Auto Drive North.



PHOTO NO. 3: View looking southerly at subject property from a point near northwest corner of subject site.



PHOTO NO. 4: View looking westerly at subject property from a point near southeast corner of subject site.



PHOTO NO. 5: View looking northeast along Auto Drive South from intersection/roundabout of Auto Drive North.



PHOTO NO. 6: View looking southwest along Auto Drive South from a point northeast of subject property.



PHOTO NO. 7: View looking southwest along Auto Drive South from intersection/roundabout of Auto Drive North.



PHOTO NO. 8: View looking southeast along Auto Drive South, from point where street curves 90 degrees.



PHOTO NO. 9: View looking northeast along Auto Drive North, from aforementioned 90-degree curve.



PHOTO NO. 10: View looking southwest along Auto Drive South from a point northwest of subject property.

PRELIMINARY TITLE REPORT

R . P . L A U R A I N
& A S S O C I A T E S
APPRAISERS - ANALYSTS



First American

Commitment

ALTA Commitment for Title Insurance

ISSUED BY

First American Title Insurance Company

File No: NCS-1016083-LA2

COMMITMENT FOR TITLE INSURANCE

Issued By

FIRST AMERICAN TITLE INSURANCE COMPANY

NOTICE

IMPORTANT-READ CAREFULLY: THIS COMMITMENT IS AN OFFER TO ISSUE ONE OR MORE TITLE INSURANCE POLICIES. ALL CLAIMS OR REMEDIES SOUGHT AGAINST THE COMPANY INVOLVING THE CONTENT OF THIS COMMITMENT OR THE POLICY MUST BE BASED SOLELY IN CONTRACT.

THIS COMMITMENT IS NOT AN ABSTRACT OF TITLE, REPORT OF THE CONDITION OF TITLE, LEGAL OPINION, OPINION OF TITLE, OR OTHER REPRESENTATION OF THE STATUS OF TITLE. THE PROCEDURES USED BY THE COMPANY TO DETERMINE INSURABILITY OF THE TITLE, INCLUDING ANY SEARCH AND EXAMINATION, ARE PROPRIETARY TO THE COMPANY, WERE PERFORMED SOLELY FOR THE BENEFIT OF THE COMPANY, AND CREATE NO EXTRACONTRACTUAL LIABILITY TO ANY PERSON, INCLUDING A PROPOSED INSURED.

THE COMPANY'S OBLIGATION UNDER THIS COMMITMENT IS TO ISSUE A POLICY TO A PROPOSED INSURED IDENTIFIED IN SCHEDULE A IN ACCORDANCE WITH THE TERMS AND PROVISIONS OF THIS COMMITMENT. THE COMPANY HAS NO LIABILITY OR OBLIGATION INVOLVING THE CONTENT OF THIS COMMITMENT TO ANY OTHER PERSON.

COMMITMENT TO ISSUE POLICY

Subject to the Notice; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions; and the Commitment Conditions, ***First American Title Insurance Company***, a Nebraska Corporation (the "Company"), commits to issue the Policy according to the terms and provisions of this Commitment. This Commitment is effective as of the Commitment Date shown in Schedule A for each Policy described in Schedule A, only when the Company has entered in Schedule A both the specified dollar amount as the Proposed Policy Amount and the name of the Proposed Insured.

If all of the Schedule B, Part I-Requirements have not been met within six months after the Commitment Date, this Commitment terminates and the Company's liability and obligation end.

First American Title Insurance Company

Dennis J. Gilmore, President

Greg L. Smith, Secretary

If this jacket was created electronically, it constitutes an original document.

This page is only a part of a 2016 ALTA® Commitment for Title Insurance issued by First American Title Insurance Company. This Commitment is not valid without the Notice; the Commitment to Issue Policy; the Commitment Conditions; Schedule A; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions.

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COMMITMENT CONDITIONS

1. DEFINITIONS

- (a) "Knowledge" or "Known": Actual or imputed knowledge, but not constructive notice imparted by the Public Records.
- (b) "Land": The land described in Schedule A and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is to be insured by the Policy.
- (c) "Mortgage": A mortgage, deed of trust, or other security instrument, including one evidenced by electronic means authorized by law.
- (d) "Policy": Each contract of title insurance, in a form adopted by the American Land Title Association, issued or to be issued by the Company pursuant to this Commitment.
- (e) "Proposed Insured": Each person identified in Schedule A as the Proposed Insured of each Policy to be issued pursuant to this Commitment.
- (f) "Proposed Policy Amount": Each dollar amount specified in Schedule A as the Proposed Policy Amount of each Policy to be issued pursuant to this Commitment.
- (g) "Public Records": Records established under state statutes at the Commitment Date for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge.
- (h) "Title": The estate or interest described in Schedule A.

2. If all of the Schedule B, Part I—Requirements have not been met within the time period specified in the Commitment to Issue Policy, this Commitment terminates and the Company's liability and obligation end.

3. The Company's liability and obligation is limited by and this Commitment is not valid without:

- (a) the Notice;
- (b) the Commitment to Issue Policy;
- (c) the Commitment Conditions;
- (d) Schedule A;
- (e) Schedule B, Part I—Requirements; and
- (f) Schedule B, Part II—Exceptions.

4. COMPANY'S RIGHT TO AMEND

The Company may amend this Commitment at any time. If the Company amends this Commitment to add a defect, lien, encumbrance, adverse claim, or other matter recorded in the Public Records prior to the Commitment Date, any liability of the Company is limited by Commitment Condition 5. The Company shall not be liable for any other amendment to this Commitment.

5. LIMITATIONS OF LIABILITY

- (a) The Company's liability under Commitment Condition 4 is limited to the Proposed Insured's actual expense incurred in the interval between the Company's delivery to the Proposed Insured of the Commitment and the delivery of the amended Commitment, resulting from the Proposed Insured's good faith reliance to:
 - (i) comply with the Schedule B, Part I—Requirements;
 - (ii) eliminate, with the Company's written consent, any Schedule B, Part II—Exceptions; or
 - (iii) acquire the Title or create the Mortgage covered by this Commitment.
- (b) The Company shall not be liable under Commitment Condition 5(a) if the Proposed Insured requested the amendment or had Knowledge of the matter and did not notify the Company about it in writing.
- (c) The Company will only have liability under Commitment Condition 4 if the Proposed Insured would not have incurred the expense had the Commitment included the added matter when the Commitment was first delivered to the Proposed Insured.
- (d) The Company's liability shall not exceed the lesser of the Proposed Insured's actual expense incurred in good faith and described in Commitment Conditions 5(a)(i) through 5(a)(iii) or the Proposed Policy Amount.
- (e) The Company shall not be liable for the content of the Transaction Identification Data, if any.
- (f) In no event shall the Company be obligated to issue the Policy referred to in this Commitment unless all of the Schedule B, Part I—Requirements have been met to the satisfaction of the Company.
- (g) In any event, the Company's liability is limited by the terms and provisions of the Policy.

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6. LIABILITY OF THE COMPANY MUST BE BASED ON THIS COMMITMENT

- (a) Only a Proposed Insured identified in Schedule A, and no other person, may make a claim under this Commitment.
- (b) Any claim must be based in contract and must be restricted solely to the terms and provisions of this Commitment.
- (c) Until the Policy is issued, this Commitment, as last revised, is the exclusive and entire agreement between the parties with respect to the subject matter of this Commitment and supersedes all prior commitment negotiations, representations, and proposals of any kind, whether written or oral, express or implied, relating to the subject matter of this Commitment.
- (d) The deletion or modification of any Schedule B, Part II—Exception does not constitute an agreement or obligation to provide coverage beyond the terms and provisions of this Commitment or the Policy.
- (e) Any amendment or endorsement to this Commitment must be in writing and authenticated by a person authorized by the Company.
- (f) When the Policy is issued, all liability and obligation under this Commitment will end and the Company's only liability will be under the Policy.

7. IF THIS COMMITMENT HAS BEEN ISSUED BY AN ISSUING AGENT

The issuing agent is the Company's agent only for the limited purpose of issuing title insurance commitments and policies. The issuing agent is not the Company's agent for the purpose of providing closing or settlement services.

8. PRO-FORMA POLICY

The Company may provide, at the request of a Proposed Insured, a pro-forma policy illustrating the coverage that the Company may provide. A pro-forma policy neither reflects the status of Title at the time that the pro-forma policy is delivered to a Proposed Insured, nor is it a commitment to insure.

9. ARBITRATION

Arbitration provision intentionally removed.

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First American

Schedule A

ALTA Commitment for Title Insurance

ISSUED BY

First American Title Insurance Company

File No: NCS-1016083-LA2

Transaction Identification Data for reference only:

Issuing Agent: First American Title Insurance Company National Commercial Services

Commitment No.: NCS-1016083-LA2

Property Address: APN 7318-003-077, COMPTON, Compton, CA

Revision No.:

Issuing Office: 777 South Figueroa Street, Suite 400, Los Angeles, CA 90017

Issuing Office File No.: NCS-1016083-LA2

Escrow Officer/Assistant: /

Phone: /

Email: /

Title Officer/Assistant: Annie Duhig/Leticia Sianez

Phone: (213)271-1707/(213)271-1746

Email: aDuhig@firstam.com/lbsianez@firstam.com

SCHEDULE A

1. Commitment Date: May 18, 2020 at 8:00 AM
2. Policy to be issued:
 - (a) ☒ 2006 ALTA® Standard Owner Policy
Proposed Insured: To Be Determined
Proposed Policy Amount: \$ 1,000,000.00
 - (b) ☐ 2006 ALTA® Policy
Proposed Insured:
Proposed Policy Amount: \$
 - (c) ☐ 2006 ALTA® Policy
Proposed Insured:
Proposed Policy Amount: \$
3. The estate or interest in the Land described or referred to in this Commitment is
Fee
4. The Title is, [at the Commitment Date, vested in:](#)
Urban Gateway Properties, Inc., a California corporation
5. The Land is described as follows:

See Exhibit "A" attached hereto and made a part hereof

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First American

Schedule BI & BII

ALTA Commitment for Title Insurance

ISSUED BY

First American Title Insurance Company

File No: NCS-1016083-LA2

Commitment No.: NCS-1016083-LA2

SCHEDULE B, PART I

Requirements

All of the following Requirements must be met:

- A. The Proposed Insured must notify the Company in writing of the name of any party not referred to in this Commitment who will obtain an interest in the Land or who will make a loan on the Land. The Company may then make additional Requirements or Exceptions.
- B. Pay the agreed amount for the estate or interest to be insured.
- C. Pay the premiums, fees, and charges for the Policy to the Company.
- D. Documents satisfactory to the Company that convey the Title or create the Mortgage to be insured, or both, must be properly authorized, executed, delivered, and recorded in the Public Records.
- E. Releases(s) or Reconveyance(s) of Item(s): None
- F. Other: None
- G. You must give us the following information:
 - a. Any off record leases, surveys, etc.
 - b. Statement(s) of Identity, all parties.
 - c. Other:

With respect to Urban Gateway Properties, Inc.,, a certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.

Prior to closing, the Company must confirm whether the county recording office in which the Land is located has changed its access policies due to the COVID-19 outbreak. If recording has been restricted, specific underwriting approval is required; and, additional requirements or exceptions may be made.

The following additional requirements, as indicated by "X", must be met:

- ☒ H. Provide information regarding any off-record matters, which may include, but are not limited to: leases, recent works of improvement, or commitment statements in effect under the Environmental Responsibility Acceptance Act, Civil Code Section 850, et seq.

The Company's Owner's Affidavit form (as provided by the company) must be completed and submitted prior to close in order to satisfy this requirement. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed

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necessary.

- ☐ I. An ALTA/NSPS survey of recent date, which complies with the current minimum standard detail requirements for ALTA/NSPS land title surveys, must be submitted to the Company for review. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.
- ☐ J. The following LLC documentation is required from:
- (i) a copy of the Articles of Organization
 - (ii) a copy of the Operating Agreement, if applicable
 - (iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iv) express Company Consent to the current transaction
- ☐ K. The following partnership documentation is required :
- (i) a copy of the partnership agreement, including all applicable amendments thereto
 - (ii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iii) express Partnership Consent to the current transaction
- ☒ L. The following corporation documentation is required:
- (i) a copy of the Articles of Incorporation
 - (ii) a copy of the Bylaws, including all applicable Amendments thereto
 - (iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iv) express Corporate Resolution consenting to the current transaction
- ☐ M. Based upon the Company's review of that certain partnership/operating agreement dated **Not disclosed** for the proposed insured herein, the following requirements must be met: Any further amendments to said agreement must be submitted to the Company, together with an affidavit from one of the general partners or members stating that it is a true copy, that said partnership or limited liability company is in full force and effect, and that there have been no further amendments to the agreement. This Commitment will then be subject to such further requirements as may be deemed necessary.
- ☐ N. A copy of the complete lease, as referenced in Schedule A, #3 herein, together with any amendments and/or assignments thereto, must be submitted to the Company for review, along with an affidavit executed by the present lessee stating that it is a true copy, that the lease is in full force and effect, and that there have been no further amendments to the lease. This Commitment will then be subject to such further requirements as may be deemed necessary.
- ☒ O. Approval from the Company's Underwriting Department must be obtained for issuance of the policy contemplated herein and any endorsements requested thereunder. This Commitment will then be subject to such further requirements as may be required to obtain such approval.

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- ☐ P. Potential additional requirements, if ALTA Extended coverage is contemplated hereunder, and work on the land has commenced prior to close, some or all of the following requirements, and any other requirements which may be deemed necessary, may need to be met:
- ☐ Q. The Company's "Indemnity Agreement I" must be executed by the appropriate parties.
- ☐ R. Financial statements from the appropriate parties must be submitted to the Company for review.
- ☐ S. A copy of the construction contract must be submitted to the Company for review.
- ☐ T. An inspection of the Land must be performed by the Company for verification of the phase of construction.
- ☐ U. The Company's "Mechanic's Lien Risk Addendum" form must be completed by a Company employee, based upon information furnished by the appropriate parties involved.

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First American

Schedule BI & BII (Cont.)

ALTA Commitment for Title Insurance

ISSUED BY

First American Title Insurance Company

File No: NCS-1016083-LA2

Commitment No.: NCS-1016083-LA2

SCHEDULE B, PART II

Exceptions

THIS COMMITMENT DOES NOT REPUBLISH ANY COVENANT, CONDITION, RESTRICTION, OR LIMITATION CONTAINED IN ANY DOCUMENT REFERRED TO IN THIS COMMITMENT TO THE EXTENT THAT THE SPECIFIC COVENANT, CONDITION, RESTRICTION, OR LIMITATION VIOLATES STATE OR FEDERAL LAW BASED ON RACE, COLOR, RELIGION, SEX, SEXUAL ORIENTATION, GENDER IDENTITY, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN.

The Policy will not insure against loss or damage resulting from the terms and provisions of any lease or easement identified in Schedule A, and will include the following Exceptions unless cleared to the satisfaction of the Company:

1. Any defect, lien, encumbrance, adverse claim, or other matter that appears for the first time in the Public Records or is created, attaches, or is disclosed between the Commitment Date and the date on which all of the Schedule B, Part I-Requirements are met.
2. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
3. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
4. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
5. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
7. General and special taxes and assessments for the fiscal year 2020-2021, a lien not yet due or payable.
8. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

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9. The fact that the land lies within the boundaries of the City of Compton Redevelopment Project Area, as disclosed by the document recorded August 19, 1974 as Instrument No. [2573](#) of Official Records.
10. The terms and provisions contained in the document entitled "Conditional Use Permit Case No. 2482" recorded January 24, 2005 as Instrument No. [05-0165433](#) of Official Records.
11. The terms and provisions contained in the document entitled "Conditional Use Permit Case No. 2523" recorded June 19, 2006 as Instrument No. [06-1334380](#) of Official Records.
12. Easements, Covenants and Conditions contained in the deed from Successor Agency to the Community Redevelopment Agency of the City of Compton, a public body, as Grantor, to Urban Gateway Properties, Inc., a California corporation, as Grantee, recorded October 28, 2016 as Instrument No. [20161334874](#) of Official Records. Reference being made to the document for full particulars.
13. The terms and provisions contained in the document entitled "Irrevocable License Agreement" recorded April 21, 2017 as Instrument No. [20170442710](#) of Official Records.

The terms and provisions contained in the document entitled "Amended and Restated Irrevocable License Agreement" recorded February 20, 2018 as Instrument No. [20180163823](#) of Official Records.

14. The effect of a deed dated December 28, 2017, executed by Urban Gateway Properties, Inc., a California corporation, as Grantor, to Lot 14, LLC, a California limited liability company, as Grantee, recorded January 02, 2018, as Instrument No. [20180000935](#) of Official Records.

NOTE: The Company will require an Affidavit of Execution and Delivery of Deed executed by the grantor in the presence of a First American notary or other satisfactory proof that the deed was valid prior to removing this exception or insuring the contemplated transaction.

15. Easements, Covenants and Conditions contained in the deed from Urban Gateway Properties, Inc., a California corporation, as Grantor, to Lot 14, LLC, a California limited liability company, as Grantee, recorded January 02, 2018 as Instrument No. [20180000935](#) of Official Records. Reference being made to the document for full particulars.
16. The effect of a deed dated May 1, 2020, executed by Lot 14, LLC, a California limited liability company, as Grantor, to Prism Realty Corporation, a California corporation, as to an undivided 3%, Infill Property Partners II, LLC, a California limited liability company, as to an undivided 74%, and EFT Lot 14, LLC, a California limited liability company, as to an undivided 23%, all as tenants-in-common, as Grantee, recorded May 11, 2020, as Instrument No. [20200512980](#) of Official Records.

NOTE: The Company will require an Affidavit of Execution and Delivery of Deed executed by the grantor in the presence of a First American notary or other satisfactory proof that the deed was valid prior to removing this exception or insuring the contemplated transaction.

17. Easements, Covenants and Conditions contained in the deed from Lot 14, LLC, a California limited liability company, as Grantor, to Prism Realty Corporation, a California corporation, as to an undivided 3%, Infill Property Partners II, LLC, a California limited liability company, as to an undivided 74%, and EFT Lot 14, LLC, a California limited liability company, as to an undivided 23%, all as tenants-in-common, as Grantee, recorded May 11, 2020 as Instrument No. [20200512980](#) of Official Records. Reference being made to the document for full particulars.
18. The terms and provisions contained in the document entitled "Memorandum of Co-Tenancy Agreement" recorded May 11, 2020 as Instrument No. [20200512981](#) of Official Records.

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19. Water rights, claims or title to water, whether or not shown by the public records.
20. We find no outstanding voluntary liens of record affecting subject property. An inquiry should be made concerning the existence of any unrecorded lien or other indebtedness which could give rise to any security interest in the subject property.
21. Rights of parties in possession.

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ALERT - CA Senate Bill 2 imposes an additional fee of \$75 up to \$225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

1. Taxes for proration purposes only for the fiscal year 2019-2020.

First Installment:	\$17,323.73, PAID
Second Installment:	\$17,323.71, PAID
Tax Rate Area:	02849
APN:	7318-003-077

2. Supplemental taxes for the fiscal year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment:	\$11,348.81, PAID
Penalty:	\$0.00
Second Installment:	\$11,348.81, PAID
Penalty:	\$0.00
Tax Rate Area:	02849
A. P. No.:	7318-003-077

3. The property covered by this report is vacant land.

4. According to the public records, there has been no conveyance of the land within a period of twenty four months prior to the date of this report, except as follows:

A document recorded May 11, 2020 as Instrument No. [20200512980](#) of Official Records.

From:	Lot 14, LLC, a California limited liability company
To:	Prism Realty Corporation, a California corporation, as to an undivided 3%, Infill Property Partners II, LLC, a California limited liability company, as to an undivided 74%, and EFT Lot 14, LLC, a California limited liability company, as to an undivided 23%, all as tenants-in-common

5. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

The map attached, if any, may or may not be a survey of the land depicted thereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of this Commitment or the Policy, if any, to which the map is attached.

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First American

ISSUED BY

First American Title Insurance Company

File No: NCS-1016083-LA2

Exhibit A

File No.: NCS-1016083-LA2

The Land referred to herein below is situated in the City of Compton, County of Los Angeles, State of California, and is described as follows:

LOT 14 OF TRACT NO. 061885, IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 1325, PAGES 50 TO 53](#), INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, AND INCLUDING AND TOGETHER WITH THE PERPETUAL EXCLUSIVE RIGHT IN THE GRANTOR OF DRILLING, MINING, EXPLORING FOR, REMOVING, AND PRODUCING THE SAME FROM SAID LAND, AND INCLUDING THE PERPETUAL EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO SAID LANDS FOR THE AFORESAID PURPOSES AND TO SUBSURFACE OF OTHER LANDS, AND INCLUDING THE RIGHT TO REDRILL, REPAIR, DEEPEN AND IN ALL OTHER LAWFUL MATTERS OTHERWISE OPERATE ANY AND ALL SUCH WELL HOLES, PROVIDED HOWEVER THAT IN NO EVENT SHALL THESE RIGHTS PERMIT THE PENETRATION OF THE LANDS HEREIN GRANTED AT ANY POINT WITHIN 300 FEET FROM THE SURFACE OF SAID GRANTED LANDS, UNLESS SPECIFICALLY OTHERWISE AUTHORIZED, AS EXCEPTED BY FLORENCE HELLMAN EHRMAN, I.W. HELLMAN III, FREDERICK J. HELLMAN, MARCO F. HELLMAN, WELLS FARGO BANK, TRUSTEES OF THE TRUST CREATED UNDER THE LAST WILL AND TESTAMENT OF FLORENCE H. DINKELSPIEL, ALSO KNOWN AS FLORENCE HELLMAN DINKELSPIEL AND AS FLORENCE DINKELSPIEL, DECEASED, AND WILLIAM H. GREEN, FLOYD W. DINKELSPIEL, JR. AND WELLS FARGO BANK, EXECUTORS OF THE LAST WILL AND TESTAMENT OF FLOYD W. DINKELSPIEL, DECEASED, IN DEED RECORDED DECEMBER 16, 1959, AS INSTRUMENT NO. 1467, IN [BOOK D-694, PAGE 909](#), OFFICIAL RECORDS.

EXCEPT ALL MINERALS, OIL, GAS PETROLEUM, NAPHTHA AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER THE ABOVE DESCRIBED PROPERTY, TOGETHER WITH ALL NECESSARY AND CONVENIENT RIGHTS TO EXPLORE FOR, DEVELOP, PRODUCE, EXTRACT AND TAKE THE SAME, INCLUDING THE EXCLUSIVE RIGHT TO DIRECTIONALLY DRILL INTO AND THROUGH SAID LAND FROM OTHER LANDS AND INTO THE SUBSURFACE OF OTHER LANDS, SUBJECT TO THE EXPRESS LIMITATION THAT ANY AND ALL OPERATIONS FOR THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTION, AND TAKING OF ANY OF SAID SUBSTANCES SHALL BE CARRIED ON AT LEVELS BELOW THE DEPTH OF 500 FEET FROM THE SURFACE OF THE ABOVE DESCRIBED PROPERTY, BY MEANS OF MINES, WELL, DERRICKS, AND/OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND LYING OUTSIDE OF THE ABOVE DESCRIBED PROPERTY AND SUBJECT FURTHER TO THE EXPRESS LIMITATION THAT THE FOREGOING RESERVATION SHALL IN NO WAY BE INTERPRETED TO INCLUDE ANY RIGHT TO ENTRY IN AND UPON THE SURFACE OF THE ABOVE DESCRIBED LAND, AS RESERVED IN GRANT DEED RECORDED JUNE 23, 1981 AS INSTRUMENT NO. [81-622407](#), OFFICIAL RECORDS.

For conveyancing purposes only: APN 7318-003-077

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**QUALIFICATIONS
OF
APPRAISERS**

R . P . L A U R A I N
& A S S O C I A T E S
APPRAISERS - ANALYSTS

BACKGROUND AND QUALIFICATIONS

Benjamin V. Balos, MAI
Certified General Real Estate Appraiser
California Certification No. AG 040853

SENIOR APPRAISER:

R. P. Laurain & Associates, Inc.
3353 Linden Avenue, Suite 200
Long Beach, California 90807
Office: (562) 426-0477 - Fax: (562) 988-2927
ben@rplaurain.com

PROFESSIONAL ORGANIZATION AFFILIATIONS:

The Appraisal Institute
MAI Designated Member

Certified General Real Estate Appraiser by the
Office of Real Estate Appraisers, State of California
Certification No. AG 040853

APPRAISAL BACKGROUND:

Benjamin V. Balos began his real estate appraisal career in March 2005, performing market research at R. P. Laurain & Associates, Inc. He received his California Certified General appraisal license in January 2008. In November 2015, he received his MAI designation from the Appraisal Institute.

Real estate appraisal and valuation consultation services conducted for public purposes include eminent domain studies, street widening and grade separation (bridge) projects, public school and university expansion projects, relocation studies, housing and public loan programs, senior housing, public bond measures, leasing of publicly-owned properties, Quimby Act park fee studies, budgetary studies, and transfers (exchanges) of properties between public agencies. Private real estate appraisal services have been conducted for lending institutions, insurance companies, attorneys, estates for tax and donation purposes, and other private uses.

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Residential Properties:

Residential properties appraised include single family, condominiums, town-house, low and medium density multiple family, large apartment complexes, waterfront properties, mobile home parks, vacant single-family lot and acreage parcels, and low to high density vacant land parcels.

Commercial and Industrial Properties:

Commercial property appraisal studies have included single and multi-tenant retail, strip centers, shopping centers, office buildings, medical offices, restaurants and fast-food developments, convenience stores, automobile repair and service facilities, service stations, truck fueling and washing stations, car wash facilities, automobile sales, mixed-use properties, single resident occupancy (SRO) developments, hotel and motel properties, and vacant land.

Industrial property appraisals have included warehouses, light and heavy manufacturing, distribution and transit facilities, self-storage, food processing, cold storage, recycling centers, open storage, vacant land, remnant and land-locked parcels, properties encumbered with oil and water injection wells, sites with soil contamination, and land fill properties.

Special Purpose and Special Use Properties:

Appraisal services and valuation studies of public, quasi-public, special use and non-profit facilities include, among others, utility and railroad rights-of-way, city hall buildings and civic center complexes, courthouses, libraries, fire and police stations, ranger stations, post offices, public parking structures, parks, public and private schools, adult learning centers, daycare facilities, hospitals, skilled nursing facilities, athletic facilities and gyms, golf courses, churches, meeting halls and lodges, and veteran facilities.

Valuation Methodologies:

In addition to the three conventional valuation methods (Sales Comparison Approach, Cost Approach, and Income Capitalization Approach), valuation methodologies have included discounted cash flow analyses, leased fee and leasehold analyses, absorption discounts, deferred maintenance, cost-to-cure, bonus value, excess rent, across-the-fence, value-in-use, fractional interests, and reuse studies.

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Certain appraisals have included (1) a retrospective date of value ("date of death" or other estate matters), and (2) a prospective date of value for properties not yet developed ("as if complete"), for construction financing, loan underwriting, and other purposes.

Property interests appraised for eminent domain purposes include full and partial takings, as well as complex severance damage studies and project benefit studies. Valuation of a wide array of easements, including street, slope, drainage, access, transmission lines, aerial, subsurface utility (pipelines, sewer, subway tunnel, etc.), as well as temporary construction easements (TCEs).

Clients:

Real estate appraisal services performed on projects for the following clients, while associated with R. P. Laurain & Associates, Inc., since 2005:

Cities:

City of Azusa	City of La Palma
City of Baldwin Park	City of Long Beach
City of Bellflower	City of Los Angeles
City of Bell Gardens	City of Monrovia
City of Buena Park	City of Monterey Park
City of Beverly Hills	City of Newport Beach
City of Burbank	City of Norwalk
City of Chino Hills	City of Ontario
City of Compton	City of Paramount
City of Corona	City of Placentia
City of Covina	City of Redondo Beach
City of Cudahy	City of Riverside
City of Cypress	City of Rosemead
City of Diamond Bar	City of Santa Fe Springs
City of Downey	City of Seal Beach
City of Garden Grove	City of Signal Hill
City of Hawaiian Gardens	City of South El Monte
City of Huntington Beach	City of South Gate
City of Huntington Park	City of Temple City
City of Industry	City of Upland
City of Irwindale	City of West Hollywood
City of Lakewood	City of Whittier
City of La Mirada	City of Wildomar

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Other Public Agencies:

California Department of Transportation (Caltrans)
City of Los Angeles Department of General Services
Long Beach Water Department
Los Angeles County Chief Administrative Office
Los Angeles County Public Works Department
Los Angeles County Metropolitan Transportation Authority (Metro)
Los Angeles Unified School District (LAUSD)
Los Angeles World Airports (LAWA)
Orange County Transportation Authority (OCTA)
Riverside County Transportation Commission (RCTC)
San Bernardino County Real Estate Services Department

Right of Way Consulting Firms:

Epic Land Solutions
Kosmont Companies
Overland, Pacific & Cutler (OPC)
Paragon Partners
Property Specialists, Inc. dba CPSI

Attorneys:

Adams Stirling Professional Law Corporation
Aleshire & Wynder, LLP
Best, Best & Krieger, LLP
Cihigoyenetché, Grossberg & Clouse
Hairapetian & Hairapetian
Lewis, Brisbois, Bisgaard & Smith, LLP
Oliver, Sandifer & Murphy
Richards, Watson & Gershon, LLP
Robie & Matthai
Squire, Sanders & Dempsey, LLP
Tredway, Lumsdaine & Doyle, LLP

Developers:

AMCAL Multi-Housing, Inc.
City Ventures
Lewis Operating Corporation
Prism Realty
Related California
West Hollywood Community Housing Corporation

BACKGROUND AND QUALIFICATIONS (Continued)

APPRAISAL BACKGROUND: (Continued)

Other:

California Water Service (Cal Water)
Caruthers Financial Services
Charles Drew University
China Airlines
Equity Office
Freeport-McMoRan Oil & Gas
Greka Energy
LPA, Inc.
National Republic Bank of Chicago
Safeco Insurance Company
Sentinel Peak Resources
Southern California Edison (SCE)
South Orange County Community College District (SOCCCD)
Tarbell, Realtors
TEAC Corporation
University of Southern California (USC)

EXPERT WITNESS:

Designated as an expert witness in the Los Angeles County Superior Court, Central District.

ACADEMIC BACKGROUND:

Numerous courses and continuing education classes have been taken at the following institutions:

The Appraisal Institute

Allied Business School
Real Estate Appraisal

Kaplan Professional School
Real Estate Appraisal

McKissock Professional Education
Real Estate Appraisal

Cypress Community College

Calvary Chapel Bible College

BACKGROUND AND QUALIFICATIONS

Austin S. Ku
Real Estate Trainee Appraiser
License No. AT 3007399

ASSOCIATE APPRAISER:

R. P. Laurain & Associates, Inc.
3353 Linden Avenue, Suite 200
Long Beach, California 90807
Office: (562) 426-0477 - Fax: (562) 988-2927
rpla@rplaurain.com

APPRAISAL BACKGROUND:

Real estate research and analysis services performed on projects for the following public agencies and private corporations while associated with R. P. Laurain & Associates, Inc., since 2018:

Cities:

City of Artesia
City of Bell Gardens
City of Bellflower
City of Buena Park
City of Downey
City of Fullerton
City of Hesperia
City of Industry
City of Los Angeles
City of Long Beach
City of Newport Beach
City of Norwalk
City of Ontario
City of Santa Fe Springs
City of Signal Hill

Public Agencies:

Cal Trans
Los Angeles County Department of
Beaches & Harbors
Orange County Transportation Authority
San Bernardino County
Transportation Authority
Los Angeles World Airports
Los Angeles County Metro
Los Angeles County
Chief Executive Office
Port of Los Angeles
Long Beach Airport
Port of Long Beach
Southern California Edison

ACADEMIC BACKGROUND:

University

California Polytechnic State University, Pomona

California State University, Long Beach

Bachelor of Science, Business Administration - Finance

Community College

Cypress Community College

Kinesiology Associates Degree

Real estate courses taken through the Appraisal Institute:

Basic Appraisal Principles

Basic Appraisal Procedures

National USPAP Course

Supervisor - Trainee Course

California Laws & Regulations Course

General Appraiser Market Analysis and Highest & Best Use

General Appraiser Site Valuation & Cost Approach

General Appraiser Sales Comparison Approach

General Appraiser Report Writing & Case Studies

DECEMBER 8, 2020

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING A DEBT MANAGEMENT POLICY AND A POLICY FOR DISCLOSURE PROCEDURES; APPROVING THE FORM OF LIMITED OFFERING MEMORANDUM AND CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH SALES TAX REVENUE BONDS; AUTHORIZING THE NEGOTIATION OF ONE OR MORE DEPOSIT ACCOUNT CONTROL AGREEMENTS; AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

SUMMARY

This resolution will approve a Debt Management Policy and Policy for Disclosure Procedures, approve the form of Limited Offering Memorandum and Continuing Disclosure Agreement, and authorizing the negotiation and execution of one or more Deposit Account Control Agreements in connection with the proposed issuance of bonds by the Independent Cities Finance Authority to finance local roadway and street improvement projects from Measure M, Measure R, and Proposition C receipts.

BACKGROUND

The City receives funding from various sources for street/road maintenance and infrastructure projects, including a portion of the revenues collected in connection with certain county-wide sales taxes. More specifically, the City receives a portion of the sales tax revenues derived from the retail transactions and use tax imposed in the County of Los Angeles (the “County”) pursuant to the Measure M Ordinance (the “Measure M Receipts”) and Measure R Ordinance (the “Measure R Receipts”). Under both the Measure M and the Measure R Ordinances, sales tax revenues are allocated to cities located in the County by the Los Angeles Metropolitan Transportation Authority (“Metro”) based on the city’s population. Under Metro’s Measure M and Measure R programs, these allocations are referred to as Local Return Funds.

Local Return Funds can only be used for certain purposes authorized by the ordinance and guidelines relating to the particular measure. Likewise, the City receives a portion of the sales tax revenues derived from the retail transactions and use tax imposed in the County under the Proposition C Ordinance (the “Proposition C Receipts”). Proposition C Receipts may be used on Metro approved capital projects. Staff has attached a list of projects (the “Projects”) to be funded by the proposed financing can be found in attachments (Attachment B). These Projects are commonly referred to by staff as CIP #18-01 Phase 1 & 2.

City staff is working with Stradling Yocca Carlson & Rauth and Butler Snow LLP, Co-Bond Counsel, Willdan Financial Services, the City's Municipal Advisor, and Raymond James & Associates, the Underwriter selected by the City, to structure and prepare legal documents to accomplish the issuance by the Independent Cities Finance Authority ("ICFA") of Sales Tax Revenue Bonds, Series 2021 (the "2021 Bonds"). The 2021 Bonds will be secured by a pledge of the City's Measure M, Measure R and Proposition C Receipts pursuant to an Installment Sale Agreement between the City and ICFA (the "2021 Installment Sale Agreement"). The proceeds of the Series 2021 Bonds would be used to finance the Projects, which the City has determined are eligible to be paid for with Measure M, Measure R, and Proposition C Receipts.

Existing California law requires public agencies to provide information to the California Debt and Investment Advisory Commission ("CDIAC") no later than 30 days prior to the sale of debt, such as the 2021 Bonds and the 2021 Installment Sale Agreement. Senate Bill 1029 ("S.B. 1029"), signed into law by Governor Brown on September 12, 2016, amends this law to place additional reporting obligations on issuers of debt. In part, S.B. 1029 requires that an issuer certify that it has adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with the local debt policies. S.B. 1029 lists certain topics to be covered in the local debt policies. City staff has worked with Willdan Financial Services, the City's Municipal Advisor, to prepare the draft Debt Management Policy (Attachment C) for consideration and approval by the City Council.

The Securities and Exchange Commission recommends that municipal issuers of publicly-sold debt, such as the City, adopt policies and procedures for compliance with the "anti-fraud rules" of federal securities laws. ("anti-fraud rules" refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly "Rule 10b-5" under the 1934 Act). City staff, in coordination with Stradling Yocca Carlson & Rauth, as Co-Bond Counsel in connection with the Bonds, have prepared a Policy for Disclosure Procedures (Attachment D). The Policy for Disclosure Procedures addresses the City's process for complying with its disclosure obligations in connection with initial disclosures, such as the Limited Offering Memorandum described below, as well as ongoing annual reports and notices of enumerated events required by the City's continuing disclosure undertakings such as the Continuing Disclosure Agreement described below.

In connection with the proposed sale of the 2021 Bonds, the City and the Authority will deliver to the Underwriter preliminary and final limited offering memoranda (together, the "Limited Offering Memorandum"). Nixon Peabody as Underwriter Counsel, with the assistance of the ICFA and the City, has prepared a Limited Offering Memorandum (Attachment E) which provides information about the Bonds, the City, the ICFA, the Measure R Sales Tax, the Measure M Sales Tax, Proposition C Sales Tax and other material information that must be provided to potential purchasers of the 2021 Bonds. While the entire financing team assists the City with the preparation

of the Limited Offering Memorandum, under federal securities laws the Limited Offering Memorandum is the City's document. The Members of the City Council and City staff working on the proposed financing have an obligation to ensure that the Limited Offering Memorandum contains all information that would be material to a potential purchaser's decision whether or not to purchase the 2021 Bonds.

In addition, to satisfy its obligation under federal securities laws, the Underwriter of the 2021 Bonds will require that the City enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") (Attachment F) by and between the City and Willdan Financial Services, as dissemination agent, pursuant to which the City will provide annual financial reports and notices of certain enumerated events for the benefit of the owners of the Bonds.

Upon the recommendation of the Underwriter, City staff are also requesting authority to negotiate the terms of one or more Deposit Account Control Agreements (each, a "Deposit Account Control Agreement") (also known as "lockbox" agreements), to be entered into by and among the City, as depositor, the Bond Trustee, as secured party, and Bank of the West, or such other depository bank as may be selected by the Mayor or City Manager, as depository bank. The Deposit Account Control Agreements will apply to the accounts into which the City's Measure R Sales Tax, the Measure M Sales Tax, Proposition C Sales Tax revenues are deposited during the term of the 2021 Bonds, to protect these revenues for the benefit of bondholders.

The issuance of the 2021 Bonds and approval of the financing agreements in connection therewith, including the 2021 Installment Sale Agreement, will be presented to the City Council for approval following a public hearing on December 15, 2020. Following the City Council's approval of the financing, the 2021 Bonds and associated financing documents will be presented to ICFA's governing board for approval.

STATEMENT OF THE ISSUE

The City is preparing the design plans, drawings and specifications for CIP #18-01 phase 2, which will repair at least 22 local streets and roads within the City of Compton. Currently, CIP# 18-01 phase 1 is under construction, which includes an additional 7 streets and is scheduled to be completed by the end of December 2020. It is anticipated that if the 2021 Bonds are approved, the aforementioned phase 2 Projects would be ready to start construction within three (3) months with anticipated completion within twelve (12) months.

Prior to approval of the 2021 Bonds and the associated financing documents, City staff recommends approval of the Debt Management Policy, Policy for Disclosure Procedures, Limited Offering Memorandum, and Continuing Disclosure Agreement. Staff also request authority to negotiate the terms of one or more Deposit Account Control Agreements.

The issuance of the 2021 Bonds and approval of the associated financing documents, including the 2021 Installment Sale Agreement, a Trust Agreement among the City, ICFA, and U.S. Bank National Association relating to the 2021 Bonds, and a Bond Purchase Agreement among the Underwriter, ICFA and the City providing for the sale of the 2021 Bonds, is scheduled for the December 15, 2020 City Council meeting. California law requires that the City Council hold a noticed public hearing prior to approval of the 2021 Bond financing. Notice of the December 15 City Council public hearing relating to the 2021 Bonds and the proposed Projects was published in The Compton Bulletin on December 2, 2020.

FISCAL IMPACT

There is no fiscal impact to the City's general fund. All costs associated with the financing of Series 2021 bonds are contingent and will be paid out of proceeds from the bond issue. Pledged funds for each Series are limited to eligible Measure M, Measure R and Proposition C revenues allocated to the City.

RECOMMENDATION

Staff recommends the City Council adopt the attached resolution (Attachment A) approving the following policies, agreements and documents: Debt Management Policy (Attachment C); the Policy for Disclosure Procedures (Attachment D); the Limited Offering Memorandum (Attachment E); and the Continuing Disclosure Agreement (Attachment F), all in substantially the forms submitted herewith and authorize the City Manager to negotiate the terms of one or more Deposit Account Control Agreements as described herein.

CRAIG J. CORNWELL
CITY MANAGER

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
ADOPTING A DEBT MANAGEMENT POLICY AND A POLICY FOR
DISCLOSURE PROCEDURES; APPROVING THE FORM OF LIMITED
OFFERING MEMORANDUM AND CONTINUING DISCLOSURE AGREEMENT
IN CONNECTION WITH SALES TAX REVENUE BONDS; AUTHORIZING THE
NEGOTIATION OF ONE OR MORE DEPOSIT ACCOUNT CONTROL
AGREEMENTS; AND AUTHORIZING OTHER ACTIONS IN CONNECTION
THEREWITH**

WHEREAS, staff of the City of Compton (the “City”) are evaluating the potential benefits to the City of requesting the Independent Cities Finance Authority (the “Authority”) to issue sales tax revenue bonds (“Bonds”) up to \$45,000,000, in order to finance (a) capital expenditures connected with the City’s Residential and Commercial Street Rehabilitation Project, including, but not limited to, rehabilitating, constructing, enlarging, improving, and/or equipping City Streets, sidewalks, gutters, curbs and ramps, streetlights, and street signs, including reimbursement to the City for previously incurred expenses, and (b) certain necessary expenses incidental thereto, including the costs of issuing the Bonds, and any credit enhancement in connection therewith (together, the “Project”); and

WHEREAS, in order to finance the Project, City staff are negotiating the terms of a Trust Agreement (the “Trust Agreement”) by and among the City, the Authority, and U.S. Bank National Association, as trustee (the “Trustee”) and an Installment Sale Agreement (the “2021 Installment Sale Agreement”) by and between the City and the Authority; the forms of the Trust Agreement and 2021 Installment Sale Agreement will be presented to the City Council on Tuesday, December 15, 2020 or at a later meeting, following a public hearing on the Project and the Bonds; and

WHEREAS, the City’s payments under the 2021 Installment Sale Agreement would be payable by the City solely from the sales tax revenues received by the City pursuant to Measure R, Measure M, and Proposition C (collectively, the “Tax Revenues”), which are deposited by the Los Angeles County Metropolitan Transportation Authority (“Metro”) from time to time into accounts maintained by the City (the “City Tax Revenue Accounts”); and

WHEREAS, upon the recommendation of Raymond James & Associates, Inc., as underwriter of the Bonds (the “Underwriter”), City staff are requesting authority to negotiate the terms of one or more Deposit Account Control Agreements (each, a “Deposit Account Control Agreement”) to be entered into by and among the City, as depositor, the Trustee, as secured party, and Bank of the West, or such other depository bank as may be selected by an Authorized City Representative (defined below), as depository bank; and

WHEREAS, in 2016, the Governor of the State of California signed Senate Bill 1029 (“SB 1029”), which has been codified at California Government Code Section 8855(i); and
WHEREAS, effective January 1, 2017, SB 1029 requires each public agency to adopt and have in effect a Debt Management policy prior to the issuance of debt obligations; and

WHEREAS, the City must adopt a Debt Management policy in compliance with SB 1029 prior to entering into the 2021 Installment Sale Agreement or any agreement with respect to the sale of Bonds; and

WHEREAS, City staff, in coordination with Willdan Financial Services, the City’s municipal advisor, have prepared a Debt Management Policy for consideration by the City Council and such Debt Management Policy is on file with the City; and

WHEREAS, the Securities and Exchange Commission recommends that municipal issuers of publicly-sold debt, such as the City, adopt policies and procedures for compliance with the “anti-fraud rules” of federal securities laws. (“anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act); and

RESOLUTION NO. _____
PAGE TWO

WHEREAS, City staff, in coordination with Stradling Yocca Carlson & Rauth, as Co-Bond Counsel in connection with the Bonds, have prepared a Policy for Disclosure Procedures for consideration by the City Council and such Policy for Disclosure Procedures is on file with the City; and

WHEREAS, in connection with the sale of the Bonds and the execution and delivery of the Trust Agreement and 2021 Installment Sale Agreement, the City and the Authority will deliver to the Underwriter preliminary and final limited offering memoranda (together, the “Limited Offering Memorandum”), which will be used by the Underwriter in the marketing and sale of the Bonds; and

WHEREAS, the Limited Offering Memorandum must be presented to and reviewed by and approved by members of the City Council prior to the sale of the Bonds; and

WHEREAS, in connection with the issuance of the Bonds and the execution and delivery of the Trust Agreement and the 2021 Installment Sale Agreement, the Underwriter will require that the City enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) by and between the City and Willdan Financial Services, as dissemination agent, pursuant to which the City will provide annual financial reports and notices of certain enumerated events for the benefit of the owners of the Bonds; and

WHEREAS, in accordance with the requirements of California Government Code Section 6586.5, a noticed public hearing regarding the proposed financing will be conducted by the City on Tuesday, December 15, 2020; and

WHEREAS, forms of the Debt Management Policy, Policy for Disclosure Procedures, Limited Offering Memorandum, and Continuing Disclosure Agreement, have been presented to the City Council at this meeting and are on file with the City Clerk, and each member of the City Council has examined and approved each document and desires to authorize and direct the City Manager or his designee to execute all such documents and the consummation of such financing; and

WHEREAS, the City has full legal right, power, and authority under the Constitution and laws of the State of California to enter into the transactions hereinafter authorized.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON HEREBY RESOLVES AS FOLLOWS:

SECTION 1. That the City Council hereby finds and determines that all of the recitals herein are true and correct.

SECTION 2. That the forms of the Limited Offering Memorandum and Continuing Disclosure Agreement, each as presented to the City Council and on file with the City Clerk, are hereby approved. The Mayor, City Manager, or Assistant City Manager (the “Authorized City Representatives”) are each hereby authorized and directed to execute and deliver the Limited Offering Memorandum and Continuing Disclosure Agreement in substantially said forms, with such changes therein as any of the Authorized City Representatives may require or approve, with such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. The City Manager or his written designee is hereby authorized and directed, in consultation with Co-Bond Counsel, to negotiate, execute and enter into one or more Deposit Account Control Agreements with the Trustee, as secured party, and Bank of the West, or such other depository bank as may be selected by an Authorized City Representative to serve as depository bank, with respect to any City Tax Revenue Account.

SECTION 4. The Debt Management Policy in substantially the form on file with the City is hereby approved.

RESOLUTION NO. _____
PAGE THREE

SECTION 5. The Policy for Disclosure Procedures in substantially the form on file with the City is hereby approved.

SECTION 6. That all actions heretofore taken by the officers and agents of the City with respect to the issuance and sale of the Bonds are hereby approved and confirmed.

SECTION 7. That this Resolution shall take effect from and after its adoption.

SECTION 8. That a certified copy of this Resolution shall be filed in the Offices of the City Clerk, the City Manager, the City Attorney, and the City Controller

SECTION 9. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2020

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, Clerk of the City Council of the City of Compton, hereby certify that the foregoing Resolution was adopted by the Mayor, attested by the City Clerk at a regular meeting thereof held on the _____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCIL MEMBERS-
NOES: COUNCIL MEMBERS-
ABSTAIN: COUNCIL MEMBERS-
ABSENT: COUNCIL MEMBERS-

CITY CLERK OF THE CITY OF COMPTON

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED _____, 2021

OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS [OR ACCREDITED INVESTORS]

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

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

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

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

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

The Independent Cities Finance Authority (City of Compton, California) Sales Tax Revenue Bonds, Series 2021 (the “Bonds”), are being issued to (i) finance the design, acquisition, and construction of certain local roadway and street improvement projects (each a “Project” and collectively, the “Projects”) in the City of Compton (the “City”), (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the Bonds and (iii) pay the costs incurred in connection with the issuance of the Bonds.

The Bonds are payable from the Revenues, as defined herein, pledged under the Trust Agreement, as defined herein, consisting primarily of installment payments (the “Installment Sale Payments”) to be made by the City to the Independent Cities Finance Authority (the “Authority”) from Measure M Receipts, Measure R Receipts and Proposition C Receipts (collectively, the “Sales Tax Receipts”), as defined herein, pursuant to an Installment Sale Agreement, as defined herein, and from certain funds held under the Trust Agreement and insurance or condemnation awards. The City is required under the Installment Sale Agreement to make Installment Sale Payments in each fiscal year in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, as described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS” herein. The Sales Tax Receipts are the only source of payment of the Installment Sale Payments, and the City has covenanted to use the net proceeds of the Bonds to fund only Projects that constitute Measure M Project, Measure R Project and Proposition C Project, as applicable, as described herein. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Sale Payments or the Bonds.

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

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

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

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

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

[Raymond James Logo]

The date of the Limited Offering Memorandum: _____, 2021

* Preliminary; subject to change.

\$ _____

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

MATURITY SCHEDULE

(Base CUSIP^{®†} _____)

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

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

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

GENERAL INFORMATION ABOUT THIS LIMITED OFFERING MEMORANDUM

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

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

No Offering May be Made Except by This Limited Offering Memorandum. No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Municipal Advisor. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of this Limited Offering Memorandum. The information contained in this Limited Offering Memorandum has been obtained from sources that are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Limited Offering Memorandum is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Bonds, the Installment Sale Agreement, the Trust Agreement or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City Clerk for further information. See “INTRODUCTION - Summaries Not Definitive.”

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum: The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

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

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

INDEPENDENT CITIES FINANCE AUTHORITY

GOVERNING BOARD

MEMBERS:

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

ASSOCIATE MEMBERS:

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

AUTHORITY OFFICERS

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

SPECIAL SERVICES

Authority Counsel
Best Best & Krieger LLP
Los Angeles, California

Municipal Advisor
Willdan Financial Services
Temecula, California

Co-Bond and Co-Disclosure Counsel
Butler Snow LLP
Atlanta, Georgia

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

Trustee
U.S. Bank National Association
Seattle, Washington

CITY OF COMPTON

MAYOR AND CITY COUNCIL

Aja Brown, Mayor

Michelle Chambers (District 1)

Isaac Galvan (District 2)

Tana McCoy (District 3)

Emma Sharif (District 4)

CITY STAFF

Craig J. Cornwell, City Manager

Michael Antwine II, Assistant City Manager

Damon Brown, City Attorney

Alita Godwin, CMC, City Clerk

Douglas Sanders, City Treasurer

Sharon Rahban Navizadeh, City Controller

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LIMITED OFFERING MEMORANDUM

\$ _____*

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

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

INTRODUCTION

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

The City and the Authority

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

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

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

Purpose

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

Security and Sources of Repayment

The Bonds are being issued under a Trust Agreement, dated as of _____ 1, 2021 (the “Trust Agreement”), by and among the Authority, the City and U.S. Bank National Association, Los Angeles,

* Preliminary; subject to change.

California, as trustee (the “Trustee”). See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The Bonds are payable from the Revenues pledged under the Trust Agreement. The Revenues consist primarily of Installment Sale Payments (the “Installment Sale Payments”) to be made by the City to the Authority and of certain funds held under the Trust Agreement and investment earnings thereon (collectively with the Installment Sale Payments, the “Revenues”). The Authority will sell the improvements to the City pursuant to an Installment Sale Agreement, dated as of _____ 1, 2021 (the “Installment Sale Agreement”), by and between the Authority and the City.

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

- all Measure M Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by the County; and
- all Measure R Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by the County through June 30, 2039; and
- all Proposition C Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transaction and use tax that is collected by the County.

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

Installment Sale Payments are payable in an amount that is sufficient to pay, when due, the annual principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS,” “MEASURE M, MEASURE R AND PROPOSITION C SALES TAX,” and “RISK FACTORS.” The Tax Revenues are the only source of payment of the Installment Sale Payments. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Sale Payments.

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

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

Depository Account Control Agreement

The City, the Trustee and Bank of the West (the “Depository Bank”) have entered into Deposit Account Control Agreements, each dated as of _____, 2021, pursuant to which the Depository Bank has agreed to comply with written instructions (“Orders”) originated by the Trustee for the disposition of funds in the Measure R Receipts Account, the Measure M Receipts Account and the Proposition C Receipts Account where all Measure R Receipts, Measure M Receipts and Proposition C Receipts, respectively, are deposited,

upon the Depository Bank's receipt of a written notice (the "Notice of Exclusive Control") for the disposition of funds in such Accounts without further consent from the City and without regard to any inconsistent or conflicting Orders given to the Depository Bank by the City.

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

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

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

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

Reserve Fund Insurance Policy

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

Limited Obligation

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

Covid-19 Pandemic

[CONFIRM/UPDATE] The COVID-19 pandemic that has affected the United States and the world during 2020 has led to efforts to quarantine individuals in order to reduce the spread of the virus. As such, the United States, the State, the County, and the City had each declared a "state of emergency" or equivalent. Additionally, the State issued a "stay at home" order that severely restricts the movement of residents and generally mandates residents to remain in their home and, in effect, prohibits non-essential workers from working outside their home. This caused the disruption of daily life in all jurisdictions, including the closure

of, among others, bars, dine-in restaurants, retail stores, schools, gyms, movie theatres, certain government buildings and religious institutions, and general prohibitions on gatherings.

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

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

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation as Co-Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the City and the Authority by Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation as Co-Disclosure Counsel. Certain legal matters will be passed on for the Authority by Best Best & Krieger LLP, Riverside, California, and for the City by the City Attorney. Certain legal matters will be passed on for the Underwriter by its Counsel, Nixon Peabody LLP, Los Angeles, California.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Trust Agreement and by a resolution of the Authority adopted on [December 1], 2020.

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

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

Summaries Not Definitive

The summaries and references contained herein with respect to the Trust Agreement, the Installment Sale Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices

of the Municipal Advisor. Copies of these documents may be obtained after delivery of the Bonds at the trust office of the Trustee, U.S. Bank National Association, Los Angeles, California or from the City at 205 South Willowbrook Avenue, Compton, CA 90220.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Scheduled Debt Service on the Bonds

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

Bond Year Ending (June 1)	Principal	Interest	Annualized Debt Service
Total			

THE FINANCING PLAN

The Projects

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

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

Estimated Sources and Uses of Funds

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

Sources of Funds

Par Amount of Bonds

Original Issue Premium/Discount

Total Sources of Funds

=====

Uses of Funds

Project Fund

Underwriter's Discount

Costs of Issuance Fund ⁽¹⁾

Total Uses of Funds

=====

⁽¹⁾ Expenses include fees and expenses of Co-Bond Counsel, Municipal Advisor, Co-Disclosure Counsel and Trustee, rating fees, the Reserve Policy premium, costs of printing the Limited Offering Memorandum, and other costs of issuance of the Bonds.

THE BONDS

General Provisions

Payment of the Bonds. The Bonds will be issued in the form of fully registered Bonds in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Bonds is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2021 (each, an "Interest Payment Date"), at the rates per annum set forth on the inside front cover page hereof, until maturity or earlier redemption. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal on the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after the fifteenth day of the month preceding such Interest Payment Date (each, a "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before _____ 15, 20 ___, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

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

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

Redemption

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

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

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

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

Redemption Date (June 1)	Principal Amount
_____	_____

* Maturity

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

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

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

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

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date with respect to, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest

on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Trust Agreement, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

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

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Trust Agreement. Revenues, as defined in the Trust Agreement, means all Installment Sale Payments and other payments paid by the City and received by the Authority pursuant to the Installment Sale Agreement and all interest or other income from any investment of any money in any fund or account under the Trust Agreement (other than the Rebate Fund). See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

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

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

Installment Sale Payments

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

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

Measure M Sales Tax

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

The term “Measure M Revenues” is defined in the Installment Sale Agreement to mean revenues of the MTA pursuant to the Measure M Ordinance derived from a retail transactions and use tax imposed in the County pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, as

now in effect and as it may from time to time hereafter be amended or supplemented, Division 12 (Section 130350 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Measure M Ordinance. Collection of the Measure M Revenues commenced on July 1, 2017 and authorization to collect Measure M Revenues does not terminate.

The term “Measure M Receipts” is defined in the Installment Sale Agreement to mean Measure M Revenues allocated by the MTA to the City pursuant to the Measure M Ordinance from the Local Return Subfund established under the Measure M Ordinance.

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

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

Measure R Sales Tax

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

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

The term “Measure R Receipts” is defined in the Installment Sale Agreement to mean Measure R Revenues allocated by the MTA to the City pursuant to the Measure R Ordinance from the Local Return Subfund established under the Measure R Ordinance.

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

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

Proposition C Sales Tax

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

The term “Proposition C Revenues” is defined in the Installment Sale Agreement to mean revenues of the MTA pursuant to the Proposition C Ordinance derived from a retail transactions and use tax imposed in the County of Los Angeles pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, Division 12 (Section 130350 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Proposition C Ordinance. Collection of the Proposition C Revenues commenced on April 1, 1991 and does not terminate under the terms of the Proposition C Ordinance.

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

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

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

Pledge of Sale Tax Receipts

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

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

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

Flow of Funds Under the Trust Agreement

Revenue Fund. In order to carry out and effectuate the pledge, charge, and lien contained herein, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority

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

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

- (1) Interest Fund. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on the Bonds purchased or redeemed prior to the payment dates thereof);
- (2) Principal Fund. All money in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable, whether on Bond Payment Dates or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.
- (3) Reserve Fund. All money in the Reserve Fund (including all amounts which may be obtained from any insurance policy on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Fund or the Principal Fund, in that order, in the event of any deficiency at any time in either of such Funds, but solely for the purpose of paying the interest or principal due on the Bonds, except that any cash amounts in the Reserve Fund in excess of the amount required to be on deposit therein shall be withdrawn from the Reserve Fund on each Interest Payment Date and deposited in the Interest Fund.
- (4) Administration Fund. All money in the Administration Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the fees of the Authority, the Trustee, and the Rebate Analyst, payable with respect to the Agreement, this Indenture, or the Bonds, except that any cash amounts in the Administration Fund in excess of the amount required to be on deposit therein shall be withdrawn from the Administration Fund on each Interest Payment Date and deposited in the Interest Fund.
- (5) Surplus Account. So long as no Event of Default of the City has occurred and is continuing hereunder or under the Installment Sale Agreement, the Trustee shall transfer or deposit amounts in the Surplus Account as instructed in a Certificate signed by an Authorized City Representative and the City may use amounts so released from the Surplus Account for any purpose permitted by applicable law, including without limitation the Measure M Ordinance, the Measure R Ordinance, and the Proposition C Ordinance.

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

- (1) Interest Fund and Principal Fund. The Trustee shall deposit in the Interest Fund, an amount equal to the sum of (I) the product of (aa) a fraction, the numerator of which is 1, and the denominator of which is 6, times (bb) the amount of the interest payment due with respect to the Bonds and any Contracts, on the following Interest Payment Date, less the amount, if any, available in any capitalized interest fund

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

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

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

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

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

Reserve Fund

The Reserve Fund is established under the Trust Agreement to be funded in an amount equal to the “Reserve Fund Requirement.” As defined in the Trust Agreement, the term “Reserve Fund Requirement” means, as of any calculation, an amount equal to the least of (i) 10% of the initial stated principal amount (within the

meaning of Section 148 of the Code) of the Installment Sale Payments; (ii) 125% of the average annual Installment Sale Payments, or (iii) the Maximum Annual Debt Service calculated only with respect to the Installment Sale Payments. As of the Closing date, the Reserve Fund Requirement is \$_____.

The Authority will satisfy the Reserve Fund Requirement for the Bonds by depositing the Reserve Policy in the face amount of \$_____, to be issued by _____ concurrently with the issuance of the Bonds.

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

Flow of Funds Under the Installment Sale Agreement

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

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

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

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

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

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

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

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

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

Additional Contracts

So long as the City is not in default under the Installment Sale Agreement, the City may at any time execute any Contract creating obligations that are payable from the Tax Revenues on a parity with the Installment Sale Payments, provided that the Tax Revenues (to the extent pledged to the payment of such obligations), for the Fiscal Year next preceding the date of the adoption by the City Council of the resolution authorizing the execution of such Contract, or for any more recent period of twelve (12) consecutive months, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the City shall have produced a sum equal to at least 150% of the Maximum Annual Debt Service on the Installment Sale Agreement and any other Contract outstanding after the execution of such amendment or proposed Contract. [Policy Costs due and owing to the Insurer shall be included in the Maximum Annual Debt Service requirement for purposes of the foregoing calculation and the calculation of Maintenance of Tax Revenues in the Installment Sale Agreement.]

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

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

MEASURE M, MEASURE R AND PROPOSITION C SALES TAX

State Sales Tax

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

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

Measure M Sales Tax

In an election on November 8, 2016, more than two-thirds of the voters in the County approved the Measure M Ordinance, thereby imposing a 0.5% retail transactions and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use, or other consumption in the County of such property purchased from any retailer for storage, use, or other consumption in the County, subject to certain limited exceptions described below (the “Measure M Sales Tax”). The Measure M Sales Tax commenced on July 1, 2017, is administered by MTA and is not limited in duration, and will increase to a 1.0% sales tax on July 1, 2039 concurrently with the expiration of the Measure R Sales Tax described below.

The Measure M Ordinance provides for the collection and allocation of revenues as follows: (i) 1% for regional rail; (ii) 2% for Metro State of Good Repair; (iii) 2% for Americans with Disabilities Act (“ADA”) Paratransit for Disabled and MTA discounts for seniors and students; (iv) 2% for Metro Active Transportation Program; (v) 5% for MTA rail operations; (vi) 17% for highway construction; (vii) 17% for local return (increasing to 20% on July 1, 2039); (viii) 20% for transit operations; and (ix) 35% for transit construction. The Measure M Receipts constitute the local return portion of such Measure M Revenues allocable to the City (as described in clause (vii) in the previous sentence).

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

The Measure M Sales Tax is also in addition to: (i) a 0.5% retail transactions and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County, administered by the MTA, which commenced on July 1, 2009, and will terminate on June 30, 2039, known as the “Measure R Sales Tax”, (ii) a 0.5% sales tax imposed by the Los Angeles County Transportation Commission (the “Commission”), predecessor to the MTA, beginning in 1990 and currently imposed by MTA pursuant to Ordinance No. 49 of the Commission, known as the “Proposition C Sales Tax;” (iii) a 0.5% sales tax imposed by the Commission beginning in 1980 and currently imposed by MTA pursuant to Ordinance No.

16 of the Commission, known as the “Proposition A Sales Tax;” and (iv) sales taxes that apply only within certain cities within the County. The Measure M Sales Tax will increase to a 1.0% sales tax on July 1, 2039 when the Measure R Sales Tax terminates.

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

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

Measure R Sales Tax

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

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

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

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

Proposition C Sales Tax

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

On November 3, 1998 an initiative affecting the Proposition C Sales Tax (the “1998 Initiative”) was submitted and approved by the voters of Los Angeles County. Pursuant to this 1998 Initiative, MTA is no longer allowed to expend Proposition C Sales Tax on the costs of planning, design, construction or operation of any “New Subway.” New Subway is defined to mean any rail line in a tunnel below the earth’s

surface, except for the existing segments of the Metro Red Line. The 1998 Initiative did not limit the collection of the Proposition C Sales Tax. Proposition C did not set forth a sunset date for collection of the Proposition C Sales Tax.

The Proposition C Sales Tax is also in addition to: (i) a 0.5% Measure R Sales Tax; (ii) a 0.5% Measure M Sales Tax; (iii) a 0.5% sales tax imposed by the Commission beginning in 1980 and currently imposed by MTA pursuant to Ordinance No. 16 of the Commission known as the “Proposition A Sales Tax;” and (iv) sales taxes that apply only within certain cities within the County.

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

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

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

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Collection and Allocation of Measure M Revenues

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

<u>Uses</u>	<u>Percentage of Allocation ⁽²⁾</u>
Metro Rail Operations (including Metro Rail State of Good Repair)	5%
Transit Operations (Metro and Municipal Providers)	20%
ADA Paratransit for Disabled; Metro discounts for seniors and students	2%
Transit Construction (includes system connectivity projects – airports, Union Station, and Countywide BRT)	35%
Metro State of Good Repair	2%
Highway Construction (includes system connectivity projects – ports, highway congestion, good movement)	17%
Metro Active Transportation Program (bicycle, pedestrian, complete streets)	2%
Regional Rail	1%
Measure M Local Return ⁽¹⁾	<u>16%</u>
Total	100%

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

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

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

Currently, apportionments of the Measure M Local Return are being made to 88 cities and the County for the unincorporated areas (each, a “Jurisdiction” and, collectively, the “Jurisdictions”). The Measure M Local Return allocations to the Jurisdictions are based on the population shares from the projected populations as derived from annual estimates made by the California State Department of Finance. The

projected populations are revised annually in the formula allocation procedure established by the MTA Board. Before any Jurisdiction can receive any allocations of the Measure M Local Return, such Jurisdiction must sign an assurance and understanding agreement with MTA. Measure M Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Measure M Local Return funds, the governing body of each Jurisdiction must annually adopt a resolution approving such Jurisdiction's five-year plan regarding the expenditure of its Measure M Revenues and demonstrate its compliance with the required uses of its Measure M Revenues pursuant to an annual audit. See "RISK FACTORS - Non-Compliance with Measure M and Measure R Guidelines."

Collection and Allocation of Measure R Revenues

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

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

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

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

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

Collection and Allocation of Proposition C Revenues

Collection of the Proposition C Sales Tax began on April 1, 1991, and is administered by the California Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the California Department of Tax and Fee Administration in connection with the administration of the collection of the Proposition C Sales Tax. In accordance with the Proposition C Ordinance, MTA is required to allocate the proceeds of the Proposition C Sales Tax as follows:

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

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

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

The Proposition C Ordinance specifies that 20% of the Proposition C Sales Tax (the "Proposition C Local Return") be allocated to incorporated cities within the County (including the Local Agency) and to the County for the unincorporated areas each on a per capita basis. The California Department of Tax and Fee Administration, after deducting the costs of administering the Proposition C Sales Tax, has agreed to remit all Proposition C Sales Tax revenues to the trustee for the MTA's outstanding bond issues that are secured by Proposition C Sales Tax revenues (collectively, the "MTA Proposition C Bonds" and, collectively with the MTA Measure R Bonds and the MTA Measure M Bonds, the "MTA Bonds"). Such trustee will thereafter immediately disburse the Proposition C Local Return to the MTA. The Proposition C Local Return does not serve as security for any of the MTA Proposition C Bonds.

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

Historical Sales Tax Receipts

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

CITY OF COMPTON HISTORICAL SALES TAX RECEIPTS

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

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

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

Source: City of Compton

Projected Debt Service Coverage

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

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

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

Source: City of Compton

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

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

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

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

CITY OF COMPTON

General

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

Government

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

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

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

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

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

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

Financial Statements

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

Population

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

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

Population Estimates
Calendar Years 2011 through 2020⁽¹⁾

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

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

Employment

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

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

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

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

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

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

Source: State of California, Employment Development Department.

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

TABLE 3
CITY OF COMPTON
MAJOR EMPLOYERS

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

Source: _____.

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

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

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

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

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

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

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

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Per Capita Personal Income

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

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

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

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

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

Median Household Income

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

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

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

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

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

Retail Sales

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

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

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

Source: California Department of Tax and Fee Administration, "Taxable Sales in California."

RISK FACTORS

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

Installment Sale Payments Constitute Limited Obligations

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

Passive Revenue Source

The payment of principal of and interest on the Bonds is secured solely by a pledge of Installment Sale Payments, which in turn are secured by a pledge by the City of the Sales Tax Receipts, and certain funds

held under the Trust Agreement. The City does not have any control over the amount of Sales Tax Receipts to be received by the City because: (i) Measure M Revenues, Measure R Revenues and Proposition C Revenues constitute revenues of MTA derived from a retail transactions and use tax imposed in the County pursuant to the Measure M Ordinance, Measure R Ordinance and Proposition C Ordinance, respectively, and the City has no ability to control the number of transactions and revenues generated by the tax; and (ii) the City does not have any control over the collection or distribution procedures related to any State taxes or local retail transactions and use taxes.

There can be no assurance that future Sales Tax Receipts will be available in the historical amounts shown in this Limited Offering Memorandum. A decrease in Measure M Revenues, Measure R Revenues and Proposition C Revenues would adversely affect the amount and/or availability of Measure M Receipts, Measure R Receipts and Proposition C Receipts, respectively. In addition, the City must continuously meet certain requirements set forth in the Measure M Ordinance, Measure M Ordinance and Proposition C Ordinance, respectively, in order to be eligible to receive Measure M Revenues, Measure R Revenues and Proposition C Revenues from MTA and apply Measure M Receipts, Measure R Receipts and Proposition C Receipts to pay the Installment Sale Payments. Such requirements include the annual adoption by the City of a resolution approving the City's Five-Year Capital Improvement Plan, compliance by the City with a maintenance of effort requirement, MTA's approval of annual payments on an annual basis and MTA's approval of financed projects. See the captions "MEASURE M, MEASURE R AND PROPOSITION C SALES TAX" and "Non-Compliance with Measure M, Measure R and Proposition C Guidelines" below.

COVID-19 Pandemic

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

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

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

The State, the City, and the County imposed significant restrictions on economic and other activity within the County beginning in March 2020. While some of those restrictions have been lifted, some have been reimposed. It is unknown when and whether restrictions will continue to be eased or will be reinstated or enhanced.

The economic shut-down caused by the COVID-19 pandemic and related government restrictions on activity materially reduced spending and sales tax revenues collected in the County in the fourth quarter of Fiscal Year 2020. Furthermore, government restrictions and possible future restrictions may affect the

collection and administration of sales taxes in the State. Some of the negative impacts that the City has identified include:

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

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

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

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

Increased Internet Use May Reduce Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure M Revenues, Measure R Revenues and Proposition C Revenues. Internet sales of physical products by businesses that are located in the State, and Internet sales of physical products delivered to the State by businesses that are located outside of the State, are generally subject to sales taxes. However, the City believes that many of these transactions may avoid taxation either through error or deliberate nonreporting, which potentially reduces the amount of Measure M Revenues, Measure R Revenues and Proposition C

Revenues. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such Internet purchases, the more that the City may experience reductions in Measure M Revenues, Measure R Revenues and Proposition C Revenues. On September 23, 2011, Governor Brown signed into law a settlement with Amazon.com Inc., one of the largest internet retailers in the State. As a result, beginning in September 2012, Amazon.com began collecting taxes from its Internet sales in the State to remit to the California Department of Tax and Fee Administration.

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

Allocation of Measure M Revenues, Measure R Revenues and Proposition C Revenues to the City

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

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

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

Not all of the Measure M Revenues, Measure R Revenues and Proposition C Revenues allocated by MTA to the City may be applied to pay the Installment Sale Payments. Only the Measure M Receipts, Measure R Receipts and Proposition C Receipts may be so applied. See the caption "SOURCES OF PAYMENT FOR THE BONDS - Measure M Sales Tax," "- Measure R Sales Tax" and "-Proposition C Sales Tax" for detailed definitions of such terms. Proposition C Receipts are eligible only for the portion of the payment attributable to Proposition C eligible projects. The City believes all projects financed with proceeds of the Bonds are eligible for funding through Measure M Receipts and Measure R Receipts.

Project Eligibility

The projects to be constructed by the City must be designated by MTA as qualified projects for purposes of the local streets and roads program established under the Measure M Ordinance or the Measure R Ordinance or for purposes of public transit under the Proposition C Ordinance. Only such Measure M Projects are eligible to be financed from Measure M Receipts, only Measure R Projects are eligible to be financed from Measure R Receipts, and only Proposition C Projects are eligible to be financed from

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

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

Measure M Guidelines. In connection with the Measure M Ordinance, MTA, on July 14, 2017, approved guidelines relating to the administration and use of the Measure M Sales Tax (the "Measure M Guidelines"). The Measure M Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure M Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure M Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its "Measure M Local Return" account with available funds other than Measure M Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure M Guidelines.

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

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

The Measure M Guidelines also require the local agencies, including the City, to maintain their individual local commitment of funds for transportation projects and services that was expended prior to the receipt of the Measure M Sales Tax (the "Measure M MOE"). If the local agency fails to maintain the Measure M MOE, then such local agency will be required to reimburse its Measure M Sales Tax account with available funds other than Measure M Sales Tax Receipts. The Measure M MOE is \$_____, which the City expects to fund through [_____] **[UPDATE]**

The City is required to expend Measure M Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to expend the Measure M Sales Tax allocated to the City, the City is required to return the lapsed Measure M Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the

other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five-year term limit to expend its allocation of Measure M Sales Tax.

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

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

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

Measure R Guidelines. In connection with the Measure R Ordinance, MTA, on October 22, 2009, approved guidelines relating to the administration and use of the Measure R Sales Tax (the "Measure R Guidelines"). The Measure R Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure R Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure R Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its "Measure R Local Return" account with available funds other than Measure R Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure R Guidelines.

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

In addition, the failure of the City to properly verify that all Measure R Sales Tax related revenue, including Measure R Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Measure R Sales Tax account, could result in the suspension of Measure R Sales Tax disbursements until the City has demonstrated to MTA that all such Measure R Sales Tax allocable to the City has been credited to the City's Measure R Sales Tax account. If the City fails to properly credit its Measure R Sales Tax related revenue to its Measure R Sales Tax account, MTA could suspend the distribution of Measure R Sales Tax until the City has demonstrated compliance with the Measure R Guidelines. During the duration of any suspension of Measure R Sales Tax disbursements, the City would

not be receiving Measure R Receipts, which would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the ability of the Authority to pay the debt service on the Bonds on a timely basis.

The Measure R Guidelines also require the local agencies, including the City, to maintain their individual local commitment of funds for transportation projects and services that was expended prior to the receipt of the Measure R Sales Tax (the "Measure R MOE"). If the local agency fails to maintain the Measure R MOE, then such local agency will be required to reimburse its Measure R Sales Tax account with available funds other than Measure R Sales Tax Receipts. The Measure R MOE is \$_____, which the City expects to fund through [_____].[UPDATE]

The City is required to expend Measure R Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to expend the Measure R Sales Tax allocated to the City, the City is required to return the lapsed Measure R Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five-year term limit to expend its allocation of Measure R Sales Tax.

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

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

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

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

Under the Proposition C Guidelines, the City is required to expend Proposition C Sales Tax monies only on those transportation purposes identified in the Proposition C Guidelines. If the City is found to have expended funds without MTA's approval, the City will be required to reimburse its Proposition C Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Proposition C Sales

Tax was expended on projects that do not meet the Proposition C Guidelines' definition of transportation purposes, then the MTA has the right to suspend disbursements of Proposition C Sales Tax to the City for a period of three years. If such a suspension were imposed, the City would not receive any Proposition C Sales Tax during the term of the suspension, would have a material adverse impact on the City's ability to pay Installment Sale Payments when due and a material adverse impact on the Authority's ability to pay the principal of and interest on the Bonds on a timely basis.

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

The Proposition C Guidelines also require the local agencies, including the City, to maintain their individual local commitment of funds for transportation projects and services that was expended prior to the receipt of the Proposition C Sales Tax (the "Proposition C MOE"). If the local agency fails to maintain the Proposition C MOE, then such local agency will be required to reimburse its Proposition C Sales Tax account with available funds other than Proposition C Sales Tax Receipts. The Proposition C MOE is \$_____, which the City expects to fund through [_____].[UPDATE]

The City is required to expend Proposition C Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to expend the Proposition C Sales Tax allocated to the City, the City is required to return the lapsed Proposition C Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five-year term limit to expend its allocation of Proposition C Sales Tax.

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

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

The City covenants and agrees in the Installment Sale Agreement to take all actions and make all submittals and filings required to obtain all required approvals from MTA necessary to ensure timely distribution of the Proposition C Sales Tax Revenues to the City or relating to the use of the Proposition C Sales Tax

Revenues to pay Installment Sale Payments, Administration Fees, and otherwise as described under the Installment Sale Agreement.

Parity Obligations

Subject to certain restrictions, the City is permitted to incur Parity Obligations that constitute additional charges against the Measure M Receipts, Measure R Receipts and Proposition C Receipts without the consent of Owners of the Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS - Parity Obligations.” To the extent that other Parity Obligations are executed by the City, the funds available to pay the Installment Sale Payments may be decreased. In addition, the City may execute Parity Obligations to refund any outstanding Parity Obligations, subject to annual debt service savings requirements under the Trust Agreement.

Limitations on Remedies; Bankruptcy

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Bonds, and enforcement of the City’s obligations under the Installment Sale Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the City and MTA, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

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

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

Early Redemption Risk

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

Loss of Tax Exemption on the Bonds

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were executed and delivered as a result of future acts or omissions of the Authority or the City in violation of its covenants

contained in the Trust Agreement and the Installment Sale Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

See “TAX MATTERS” for additional tax-related risks.

IRS Audit of Tax-Exempt Bond Issues

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

Secondary Market Risk

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

Restrictions on Transfer

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

CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIII B of the California Constitution – Limitations on Appropriations

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

Appropriations of an entity of local government that are subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from

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

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

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

Proposition 218

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

Future Initiatives

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

TAX MATTERS

General Matters. In the opinion of Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson, & Rauth, P.C., Newport Beach, California, Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is excludable from federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted

to comply with such requirements. Co-Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

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

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be

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

Original Issue Premium. The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

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

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

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

LEGAL MATTERS

Enforceability of Remedies

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

Approval of Legal Proceedings

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

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

Certain legal matters will be passed on for the City and the Authority by Butler Snow LLP, Atlanta, Georgia, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California as Co-Disclosure Counsel and by the City Attorney. Fees payable to Co-Bond Counsel and Co-Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Absence of Litigation

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

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

CONCLUDING INFORMATION

Rating on the Bonds

S&P Global Ratings (“S&P”) has assigned a rating of “___” to the Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

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

Underwriting

The Bonds are being sold at an aggregate purchase price of \$ _____ (representing the aggregate principal amount of the Bonds plus an original issue premium of \$ _____ and less an underwriting discount of \$ _____) pursuant to a bond purchase contract (“Bond Purchase Contract”) entered into between the Authority and the City and Raymond James & Associates, Inc. (the “Underwriter”).

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

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

Financial Statements

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

The Municipal Advisor

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

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Continuing Disclosure

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

Pursuant to a Continuing Disclosure Agreement, dated as of _____ 1, 2021 (the “Continuing Disclosure Agreement”), by and between the City and Willdan Financial Services, as dissemination agent, the City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the “Annual Report”) no later than March 31 of each year, commencing March 31, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City or its dissemination agent with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in “APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

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

Additional Information

The summaries and references contained herein with respect to the Trust Agreement, the Installment Sale Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Trust Agreement. Copies of the Trust Agreement and the Installment Sale Agreement may be obtained after delivery of the Bonds from the City at 205 South Willowbrook Avenue, Compton, CA 90220.

References

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Execution

The execution of this Limited Offering Memorandum for the City by the City Manager and for the Authority by the Executive Director has been duly authorized by the City and the Authority, respectively.

INDEPENDENT CITIES FINANCE AUTHORITY

By: _____
Executive Director

CITY OF COMPTON

By: _____
City Manager

APPENDIX A-1
FORM OF TRUST AGREEMENT

APPENDIX A-2
FORM OF INSTALLMENT SALE AGREEMENT

APPENDIX B
CITY AUDITED FINANCIAL STATEMENTS

APPENDIX C
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

APPENDIX E

THE BOOK-ENTRY SYSTEM

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

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

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX F

FORM OF INVESTOR LETTER

Independent Cities Finance Authority
Lancaster, California

City of Compton
Compton, California

Raymond James & Associates, Inc.
Pasadena, California

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

To the Addressees:

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

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

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

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

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

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

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

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

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

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

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

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

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

Signed and delivered as of the date shown above.

Sincerely yours,

PURCHASER FULL CORPORATE NAME

Signed by: _____

Print Name: _____

Print Title: _____

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of January [], 2021, is executed and delivered by the City of Compton (the “City”) and Willdan Financial Services, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance of the \$ _____ Independent Cities Finance Authority (City of Compton, California) Sales Tax Revenue Bonds, Series 2021 (the “Bonds”). The Bonds are being issued pursuant to provisions of a Trust Agreement, dated as of January 1, 2021 (the “Trust Agreement”), by and among the Independent Cities Finance Authority (the “Authority”), the City and U.S. Bank National Association (the “Trustee”). The City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The City and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any Person, including the Participating Underwriter and any holder or Beneficial Owner of the Bonds, with respect to the Rule.

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

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with

the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2021, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following (as of June 30 next preceding the Annual Report date or the most recent readily available information):

(a) Update of the table titled “CITY OF COMPTON HISTORICAL SALES TAX RECEIPTS” showing the figures for the fiscal year preceding the Annual Report date; and

(b) The Audited Financial Statements for the City for the preceding fiscal year (or if not available at the time of filing, the unaudited financial statements). The Audited Financial

Statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared.

Any or all of the items listed above may be included by specific reference to other documents, including official statements debt issues of the City or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each other document so incorporated by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the City shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bond Owner, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;

12. bankruptcy, insolvency, receivership or similar proceedings of the Authority, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material;
14. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
15. incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; or
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

(b) Upon receipt of notice from the City and instruction by the City to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent

is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Trust Agreement. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The City, or the Dissemination Agent, if the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

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

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days' written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City.

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

under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. Article V of the Trust Agreement pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond Owners, or any other party. The Dissemination Agent shall not have any liability to the Bond Owners or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Compton
	205 South Willowbrook Ave.
	Compton, CA 90220
	Attn: City Manager

To the Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA 92590
Attn: [_____]

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF COMPTON

By _____
City Manager

Willdan Financial Services, as Dissemination
Agent

By _____
Authorized Signatory

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: City of Compton

Name of Bond Issue: Independent Cities Finance Authority
(City of Compton, California) Sales Tax Revenue Bonds, Series
2021

Date of Issuance: [____]. 2021

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [____], 2021, with respect to the Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

Willdan Financial Services,
as Dissemination Agent
on behalf of the City

cc: Authority

CITY OF COMPTON DEBT MANAGEMENT POLICY

INTRODUCTION

A properly managed debt program can promote economic growth and enhance a City by maximizing limited resources for quality public services. The purpose of the City of Compton (the “City”) Debt Management Policy (the “Policy”) is to establish guidelines for issuing and managing bonds and other forms of indebtedness associated with capital markets (including private placement and bank loans) and for the selection and management of financial services and products; to provide guidance regarding the appropriate use of debt and other repayment obligations of the City; and to comply with Government Code section 8855(i), which became effective January 1, 2017.

This Policy confirms the commitment of the Council, staff, management, and other decision makers to adhere to sound financial management practices, including full and timely repayment of borrowing and achieving the lowest possible cost of capital with prudent risk parameters.

This Policy will also apply to debt issued by the Compton Public Finance Authority, Compton Local Housing Authority, and any other public agency for which the City Council acts as the legislative body.

SECTION 1- POLICY OBJECTIVES

The Policy objectives are as follows:

1. To achieve lowest cost of capital and encourage prudent decision-making regarding debt issuance so that long-term financing commitments are affordable;
2. To ensure that all debt is structured to protect both current and future taxpayers, ratepayers, and City constituents;
3. To restore and protect the City’s credit rating, minimize the City’s borrowing costs, and avoid undue risk or burden;
4. To establish conditions of debt and to incorporate best practices into the City’s issuance and administration of its indebtedness while meeting the requirements of state and federal law and regulation, including federal requirements regarding disclosure and compliance with tax-exemption rules;
5. To ensure that the City’s debt is consistent with the City’s planning goals and objectives and capital improvement program or budget, as applicable;
6. To maintain good relations with investors in City debt;

SECTION 2- USES AND LIMITS ON INDEBTEDNESS

Debt is useful for financing capital projects too large for the annual budget. Debt allows the ability to share the cost of major improvements between current and future taxpayers and/or ratepayers. It also accelerates the delivery of a project compared to funding on a pay-as-you-go-basis. However, annual debt service represents a fixed cost that will compete with other expenditures in the City's budget and cannot be deferred in any given year. In order to achieve the proper balance in its use of debt, the City will follow the following policy goals:

- The City will not use debt to finance operating expenses, except to alleviate cash-flow timing issues within a fiscal year
- The City may consider use of debt in the event of an extraordinary expense, such as the financing of a major judgment
- The City may consider debt if an opportunity to restructure existing liabilities arises, such as with pension obligation bonds.
- The City will plan for capital improvements and maintenance as part of its budgeting process, seeking to set funds aside in advance of need so that most capital projects can be financed on a "pay-as-you-go" basis, if funds are available and the projects can be completed over multiple years. In general, debt financing will be reserved for very large capital expenditures.
- The City shall not incur obligations paid out of the General Fund where annual debt service exceeds Thirty percent (30%) of annual (fiscal year) General Fund appropriations. Debt that is backed by the General Fund but expected to be paid out of other revenues may be deducted from this calculation, provided that the City can identify a reliable record of collecting such revenues, net revenues after operating expenses provide reasonable coverage over debt service and the City expects that the available revenues will be at least sufficient to cover debt service for the remaining life of the obligations. This calculation of lease debt burden will be contained in any staff report recommending the approval of any such new obligations.

SECTION 3- TYPES AND SCOPE OF DEBT AND OTHER OBLIGATIONS

This Policy governs the issuance and management of all debt and lease financing activity by the City, including bonds issued through the City's financing authorities (the "Authorities"). In order to maximize financial options to benefit the public, the City shall consider all generally accepted types of debt, including, but not limited:

- **Voter-approved indebtedness:** The City can issue general obligation (GO) bonds with approval of 2/3 of those voting at an election, per the California law (the State Constitutional Debt Limit, which imposes certain requirements for debt specifically secured by property taxes) General obligation bonds are appropriate for constructing or improving property that benefit the public at large, such as libraries, parks and public safety facilities, if 2/3 voter approval is obtained at an election. The City could

also seek 2/3 approval of a parcel or other special taxes (levied on a basis other than assessed valuation) that could be used to secure debt service on bonds. Such bonds would be repaid out of a supplemental property tax, levied based on the value of property.

- **Lease-Backed Debt/ General Fund lease obligations:** Lease- Backed Debt allows a City to finance projects using a lease agreement with budgeted payments from the City's general fund to secure the debt service. This type of debt obligation does not require voter-approval nor is there a legal limitation on the amount. Common examples of lease obligations are publicly offered lease revenue bonds, certificates of participations, or private placements (financing leases that are privately placed with a bank. Although there is no legal debt limitation, there are practical budget limitations of debt affordability. The structures of these obligations are subject to various conditions articulated in the case law that established this exception to voter approval. In addition, a City can incur other long-term obligations payable from general revenues that do not involve leases, including installment purchase agreements, judgment obligation bonds and pension obligations.
- **Cashflow borrowings:** The City can issue Tax and Revenue Anticipation Notes that are repaid out of current fiscal year revenues to smooth any temporary cash shortages.
- **Revenue Bonds/Enterprise revenue debt:** Revenue Bonds are limited-liability obligations tied to a revenue stream from the financed project. Examples of projects that would be financed by a Revenue Bond would be water or wastewater improvements; these projects' revenues from rates and charges fund the debt service. These obligations come in the form of revenue bonds, certificates of participation, or State loans. The market requires that, if enterprise revenue debt is issued, the City maintain rates sufficient to pay operations and maintenance of the system and provide a measure of coverage of debt service. Generally, no voter approval is required to issue this type of obligation; however, the City might have to comply with Proposition 218 in regards to rate adjustment.
- **Special Assessment/ Special District Debt/Mello-Roos Special Tax bonds:** The City can form assessment districts, with majority property-owner approval, to finance projects that provide special benefit to the property. Similarly, property-owners of undeveloped land can approve Mello-Roos special taxes or assessments to finance public improvements, generally referred to as land-secured debt. At the time any such debt is considered in the future, specific land-secured policies should be drafted for Council consideration, consistent with State law (for Mello-Roos districts) and best practices in order to protect bondholders and the City's credit rating.
- **Tax allocation bonds:** Tax allocation bonds are special obligations that are secured by the allocation of tax increment revenues that are generated by increased property taxes in the designated redevelopment area. Tax allocations bonds are not debt of the City.

- **Conduit debt:** Cities can also issue tax-exempt bonds to lend the proceeds to certain non-profit corporations and other activities. There are also various statewide authorities to facilitate such tax-exempt financing.

SECTION 4- METHOD OF SALE

Debt can be sold at a “public offering” through the sale of bonds, either through a competitive or negotiated sale, or through a private placement with a bank or other institution.

- **Competitive bidding process-** interested underwriters submit proposals to purchase an issue of bonds. Award is based on lowest offered true interest cost, among other things
- **Negotiated sale process-** a selected underwriter, or team of underwriters, negotiate terms of an issue and sell bonds in municipal market. A negotiated sale is subject to approval by City to ensure that interest costs are in accordance with comparable market interest rates.
- **Private (or direct) placement sale-** occurs when financing can or must be structured for a single or limited number of purchasers or where terms of private placement are more beneficial to the City than either negotiated or competitive sale.

The best method of sale depends on the type of security, credit factors, and market conditions. The basis for the recommendation for the method of sale will be included in any staff report recommending the approval of any such new debt obligations. The City Manager or his/her designee shall determine the appropriate method of sale.

The City will consider a limited public offering or privately placing its debt for small and/or short-term borrowings or in instances where difficult credit or disclosure considerations or other special circumstances so warrant.

The City will consider the issuance of debt thru conduit issuers when the conduit issuer offers a financing program beneficial to the City which is cost effective or reduces associated administrative burdens.

SECTION 5- DEBT FINANCING TERMS AND STRUCTURE

The City Council acknowledges that any new debt obligation will have an impact on long-term affordability of all future planned debt and any existing debt. New debt obligation might also have budgetary impact regarding operating and maintenance costs of debt-financed facilities.

Long-term debt financing of capital projects will be amortized over a period no longer than the useful life of the assets being financed, and should not exceed thirty (30) years.

Debt service will generally be structured to be level over the length of the bonds. Alternate debt structures that wrap new debt around existing debt to achieve overall level debt service or other financial planning goals appropriate to the specific project may also be considered.

The dates for which debt service is scheduled (typically semi-annually) will take into account the revenues cashflows revenues that funds the debt.

- **Debt Service Reserve Fund-** A debt service reserve fund provides an added measure of security to bond holders and may improve credit rating and lower borrowing costs. Some transactions require a debt service fund, or the City may create one if determined to be beneficial. the City may fund a debt service fund out of bond proceeds no greater than the amount allowed under federal tax law or required by the market. The City may consider the use of surety bonds, lines of credit, or similar instruments to satisfy reserve requirements.
- **Credit enhancement-** The City will consider the use of credit enhancements such as bond insurance, surety bonds, letters of credit, if proven to be cost effective. And on a case-by-case basis. The cost-benefit of insurance will be evaluated through the final maturity and through the first optional call date, recognizing that municipal bonds are commonly refunded prior to maturity. The City will consider the use of a surety policy in lieu of a cash funded reserve, but in doing so will consider estimated earnings on a cash funded reserve and the cost of replacing that surety at the time of a potential refunding, if applicable.
- **Capitalized Interest-** In cases where funding interest payments out of bond proceeds during construction is required, such as lease revenue obligation. the City will consider leasing an existing municipal asset (an “asset transfer”) in order to reduce or eliminate the need to capitalize interest. In other occasions, the City will consider capitalizing interest after project completion when payment of debt service begins.
- **Variable Rate Debt-** To maintain a predictable debt service burden, the City will give preference to debt that carries a fixed interest rate. An alternative, variable rate debt, may pay interest rates that vary based on a pre-determined formula or results from a periodic remarketing of securities. It may be appropriate to issue variable rate debt to diversify the City’s debt portfolio, provide greater prepayment flexibility or improve the match of variable-rate assets (investments in the City’s treasury) to liabilities. The City's cost for administering variable rate debt, including the renewal or replacement of bank facilities, should be considered when comparing fixed and variable rate debt. Other factors to consider are the life of the project or facility being financed, market conditions, credit risk, third party risk analysis, and overall debt portfolio structure. The City acknowledges variable rate debt may pass an unknown obligation onto future budget cycles. Prior to issuing variable rate bonds, the City shall amend or supplement this Policy to further address variable rate considerations.
- **Disclosure-** For all public sales of debt, the City will retain the services of disclosure counsel (who may also serve as bond counsel) to prepare the Official Statement to be used in connection with the offering and sale of debt. Appropriate staff will be asked to review this document for accuracy and completeness of material investor information. r. The City will make every effort to ensure the fullest disclosure possible in the City’s disclosure documents, including, seeking staff training in disclosure matters. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings with appropriate staff and approval in form by the Council. Use of disclosure counsel may also be appropriate in

private placements in some circumstances. The City will comply with policies adopted from time to time by the City Council or the City Manager relating to compliance with federal securities laws and disclosure requirements.

- **Credit Ratings-** The City seeks to acquire and maintain the highest possible credit rating when issuing debt. In addition, The City will work to increase ratings when the opportunity to do so exists. The Designated City Representative, in consultation with the Municipal Advisor and other members of the financing team, will seek credit ratings from at least one major credit rating agency on any given bond issue. The Designated City Representative will periodically communicate with the agencies rating the City's debt so that they will remain well-informed.
- **Derivatives-** The City will not use interest rate swaps for its debt program unless a separate swap policy is approved by the City Council. The City may use derivative-like investment products to invest bond funds, but only upon staff's analysis of the investment. This will be presented as part of the staff report that details financing and requires specific approval as part of the Council action.
- **Refunding Bonds-** The City will periodically review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that the City's ability to refund its debt maybe limited, because of federal tax law constraints on advance refundings and the market practice of making most fixed-rate bond issues non-callable for their first ten years, the City will seek to deploy its refunding options prudently. The City will consider a refunding if there is a net economic benefit of at least three percent (3%) of net present value ("NPV") savings. A higher threshold may be warranted if the City does not receive 100% of the savings benefit (such as when refunding tax allocation bonds) and/or if it must incur significant non-contingent costs relative to the potential savings. The City may also consider a refunding for a non-economic purpose, including the change in covenant, call provisions, retirement of an indenture for more desirable covenants, operational flexibility, a change in tax status, or to change the type of debt instrument, or other noneconomic factors related to the debt

Partial Refunding- When it is practical to consider a partial refunding, the analysis will be performed on a maturity-by-maturity basis. Some factors to consider in this case would be: the length of the period before the call date (the longer the period the savings target would be higher the longer the period), the length of time after the call date (the target could be lower, due to savings being more difficult to attain with a shorter maturity), and any other factors that assist in considering the value of a call option.

When structuring its bond issues, the City will take into consideration the coupon structure of its debt (i.e., discount bonds or premium bonds that mature after the call date) and its impact on its option to execute a refunding. The City will also structure its bond issues with an optional call no longer than ten years from the date of issuance in order to accommodate the future potential for refunding. An exception to this policy

would be a taxable bond issue, where the additional interest cost required for an optional call might outweigh the benefits.

- **Tax Exemption-** The bond proceeds of tax-exempt bond issues are subject to various IRS rules and regulations. The IRS Tax Code Section 141 sets requirements of private activity tests regarding security and payment, private use, and private loan financing. The City will take necessary actions to comply with tax law requirements applicable to each of the City's tax-exempt issues, and will periodically review the specific post issuance compliance procedures identified in the tax documents for its tax-exempt financings.

The City will monitor and control the receipt, investment, expenditure, and use of all bond proceeds and will take action as necessary to cause interest on tax-exempt bonds to remain excludable from gross income of bond holders.

- **Continuing Disclosure-** Under the Securities and Exchange Commission Rule 15c2-12, the City is required on an ongoing basis to provide certain financial and operating data to those who own or are interested in purchasing the City's bonds and other securities. The City has entered into various continuing disclosure agreements and will be required to enter into them with new bond issues. The agreements require the filing of certain annual reports and certain notices of material events. The City will comply with policies adopted from time to time by the City Council or the City Manager relating to compliance with federal securities laws and disclosure requirements.
- **Investment of Bond Proceeds-** The City's Investment Policy will govern the investments of bond proceeds. The Investment Policy shall be reviewed from time to time, with the requirements contained in the governing bond documents. The City will consult with legal counsel whenever investment agreements are used in connection with a tax-exempt bond issue to ensure that these investments comply with the requirements of Federal tax law.
- **Interfund Loans-** In lieu of issuing bonds or otherwise borrowing from third-parties, there will be situations that the most appropriate means for the City to borrow money will be through a loan from a well-capitalized City fund. Such Interfund Loans can be seen as an alternative investment of temporarily surplus City funds, which normally would be invested at a short-term rate as part of the City's pooled investment program. In approving any new Interfund Loan, the City Council will adopt a resolution that sets forth the terms of the loan, which will include:
 - a. The interest rate that the loan will bear until repayment. Appropriate interest rates may be a rate that is reasonable for the City to meet the terms and conditions of the loan repayment.
 - b. The terms under which the loan will be repaid such as frequency of payment (monthly, semiannually, annually), interest calculation method (360/365, monthly, annually), date of repayment (first of the month, last day of the

month, etc.), no prepayment penalty, and allows for prepayment/early repayment/accelerated payment options and other payment terms.

- c. Periodic payment amount and the maturity date of the loan.
- d. A statement of such expectations so as to satisfy the federal tax law requirements for reimbursement bonds, if the loan will be repaid from the proceeds of tax-exempt bonds.

SECTION 6- DEBT MANAGEMET AND ADMINISTRATION

The City's debt program shall conform with applicable state, federal, and other legal requirements. Debt obligations shall be presented to the City Council for their authorization with recommendations from the City Manager and/or other Designated City Representatives. Departments involved in debt-financed capital programs shall work closely with the City Manager and/or other appropriate staff to provide information and assist in facilitating the issuance and on-going administration of debt.

The City Manager, or City Treasurer, and/or the City Controller, or his/her designee (the "Designated City Representative"), is hereby appointed as the City official responsible for the following:

- Ensuring that the City's debt is administered in accordance with its terms, federal and State law and regulations, and best industry practices.
- Debt issuance including reviewing and recommending appropriate structures for new debt issuances
- Debt management, including assigning staff with certain day-to-day responsibilities.
- Working with the City Manager, City Controller and other staff deemed appropriate in formulating the City's debt management plans, executing these plans, and ensuring appropriate debt management.
- Keeping the City Council informed of the City's debt-related activities through informational reports, briefings, or workshops.
- Select service providers as necessary to assist meet legal requirements, assist with the debt issuance, and minimize debt costs. Such providers may include bond and disclosure counsel, financial advisors, underwriters, trustees, verification agents, escrow agents, arbitrage consulting, special tax consulting, and other consultants as needed.
- Communicating with rating agencies, investors, and other debt related service provides about the City's financial condition
- Review outstanding debt for refunding opportunities
- Maintain compliance with the Investment Policy and disclosure requirements in the City's Disclosure Policy

SECTION 7- FINANCING PROFESSIONALS

The Designated City Representative, in consultation with the City Manager, will recommend to the City Council the various members of the financing team, based on prior experience, recommendations or a request for proposal process.

- **Bond and Disclosure Counsel-** Bond counsel is a specialized legal practice responsible for drafting legal documents and providing necessary opinions and will be appointed for any financings. For all public sales of debt, the City will use the services of counsel to prepare the official statement. The Designated City Representative will recommend for City Council approval whether to select another law firm to provide the services of disclosure counsel or to assign such duties to bond counsel. In the case of limited public offerings, the Designated City Representative may authorize the underwriter's counsel to draft the offering memorandum.
- **Municipal Advisor-** The municipal advisor is a consultant hired to assist the City in evaluating financing options, structuring of its debt offerings, making recommendations as to the method of sale, conducting competitive bond sales, and assisting with bringing negotiated bond sales to market, including making recommendations to the City on proposed interest rates, prices and yields in light of market conditions and the characteristics of the bonds. The City will retain the services of a municipal advisor on all private or publicly offered debt issues, unless the City Manager determines that retention of a Municipal Advisor is not necessary or appropriate for a particular debt issuance.
- **Underwriter-** If the City decides to use a competitive sale method, the underwriter will be selected based on the best interest of the City. At those times that the City decides to issue its debt through a negotiated sale, it will select one or more underwriters.
- **Trustee-** The Designated City Representative shall recommend to the City Council the selection of a commercial banking firm as trustee in connection with any given financing.

Other financial professionals or firms may be required for particular bond issues. For example, a verification agent is typically necessary for refundings, while tax increment financings commonly require an independent fiscal consultant's report.

SECTION 8- RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM

Because the City is committed to long-term capital planning, the debt the City issues will align with the standards of this Debt Policy as it implements the policy decisions incorporated in the City's capital budget component of its annual budget. The City shall integrate its debt issuances with the goals of its capital improvement program by considering when projects are needed in furtherance of the City's public purposes in determining the timing of debt issuance.

The City shall seek to avoid the use of debt to fund recurring infrastructure and facilities improvements in circumstances when the primary purpose of such debt financing is to reduce annual budgetary expenditures, such as normal wear and tear.

The City believes that prudent amounts of debt can be an equitable and cost-effective means of financing major infrastructure and capital project needs of the City. The City will evaluate the benefit and risks of each proposed issue of new debt on a case by case basis, considering such factors as the City's overall fiscal health, the potential impact of increased debt service on then current service levels and other long-term considerations such as funding requirements for pensions and other post-employment retirement benefits. The City will review debt limits in conjunction with any proposed financing. In general, debt may be considered to finance such projects if it meets the following minimum criteria:

- It meets the City's goal of distributing the payments for the asset over a substantial portion of its useful life so that benefits more closely match costs for both current and future residents.
- The need for the project is compelling in terms of on-going cost savings or the needs for public safety or services, and the size of the project makes funding out of existing resources or near-term revenues impractical.

SECTION 9- INTERNAL CONTROL PROCEDURES

In addition to complying with the terms of this Debt Policy, the City shall comply with other applicable policies regarding bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. The City will periodically review the requirements of and will remain in compliance with SEC Rule 15c2-12 continuing disclosure undertakings, and federal tax compliance requirements, including arbitrage and rebate compliance, relating to prior bond issues. The City will use bond proceeds in accordance with stated purpose at time debt was issued.

The proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the Designated City Representative. In those cases where the proceeds of debt are not to be held by a third-party trustee, the Designated City Representative shall be responsible for approving expenditures in the same manner as the approval for the expenditures for City revenues.

CONCLUSION

This Policy is intended to guide and regulate the City's issuance and administration of debt. Due to changes in capital markets, the City's needs, identification of other best practices, other unforeseen circumstances, the Policy should be reviewed and updated periodically in order to best achieve the City's overall goals.

Any deviations from this Policy that is recommended by staff should be presented in a staff report transmitting the resolution for approval of the financing.