

NOTICE

COMPTON CITY COUNCIL AGENDA Tuesday, July 22, 2014 5:45 PM

HEARING(S)

OPENING

MOMENT OF SILENCE

ROLL CALL

INTRODUCTION OF SPECIAL GUESTS

COMMENDATORY RESOLUTIONS/PRESENTATIONS

1. RECOGNITION - ELDER MICHAEL BRADFORD OF BUILDING BUSINESSES NETWORK SERVICES - (Councilperson Yvonne Arceneaux)
2. PRESENTATION - DEMENO KERDON OF LA PLAYITA - BUSINESS OF THE MONTH (Councilperson Isaac Galvan)

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

REPORTS OF OFFICERS AND COMMISSIONS

CITY MANAGER/CITY ATTORNEY/CITY TREASURER REPORTS

3. UPDATE ON UNATTENDED DONATION BOX ORDINANCE (**Receive/File**)

PUBLIC WORKS MUNICIPAL UTILITIES DEPARTMENT

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ENACTING PHASE I WATER SHORTAGE PLAN PER MUNICIPAL CODE SECTION 23-1.32(e)(2)

END CONSENT AGENDA

REGULAR AGENDA

REPORTS OF OFFICERS, BOARDS, COMMISSIONS AND COMMITTEES AND CITY COUNCIL

CITY MANAGER'S REPORT

CITY ATTORNEY'S REPORTS

CLOSED SESSION

5. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION
Six (6) potential cases
Pursuant to California Government Code Section 54956.9(b)

UNFINISHED BUSINESS

NEW BUSINESS

6. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO RENEW THE AGREEMENT WITH THE COUNTY OF LOS ANGELES, DEPARTMENT OF ANIMAL CARE AND CONTROL FOR PROVISION OF ANIMAL CONTROL SERVICES TO THE CITY FOR FISCAL YEARS 2014-2019; FISCAL IMPACT: \$450,000.00
7. A RESOLUTION OF THE COMPTON CITY COUNCIL TO AUTHORIZE THE CITY MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT WITH STRATEGIC COUNSEL PLC FOR ADVOCACY AND CONSULTING SERVICES RELATING TO CALIFORNIA STATE GOVERNMENT.
8. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACCEPTING THE CONSTRUCTION OF THE WILLIAMS ALLEY PAVING PROJECT (CIP# 09-09) PERFORMED BY SIALIC CONTRACTORS CORPORATION DBA SHAWNAN , SANCTION STAFF TO FILE THE NOTICE OF COMPLETION WITH THE LOS ANGELES COUNTY RECORDER'S OFFICE, AND AUTHORIZE THE RELEASE OF THE CONTRACTOR'S RETENTION

9. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACCEPTING THE LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT GRANT IN THE AMOUNT OF \$300,000 FOR THE ACQUISITION OF COMPTON CAMP FIRE PARK LAND
10. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING A GENERAL FUND CONTINGENCY RESERVE POLICY
11. A RESOLUTION OF THE COUNCIL OF THE CITY OF COMPTON, CALIFORNIA AUTHORIZING THE ISSUANCE AND SALE OF TAX AND REVENUE ANTICIPATION NOTES FOR FISCAL YEAR 2014-15 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED 12,500,000
12. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONTRACT AND ISSUE A PURCHASE ORDER TO EUGENE BROWN DBA BROWN CONSTRUCTION FOR THE REPAIR AND UPGRADE OF JACKIE ROBINSON STADIUM AT GONZALES PARK

APPROVAL OF WARRANTS

13. Warrant #222531 - Date - 7/16/14 Name - All Star Interpreting Service Inc. Spanish interpreting services for City Council Meetings May 6, 13, 20, 27, 2014 - \$3,000.00 Requested by: City Clerks Office

Warrant #222551 - Date - 7/16/14 Name - Commline Inc. Pay outstanding invoices for radio services maintenance for FY 2013-14 - \$3,284.00 Requested by: Fire Department

Warrant #222557 - Date - 7/16/14 Name - Dave Bang Assoc Inc. Park/Pool equipment for CDBG eligible parks in the City of Compton - \$55,670.54 Requested by: Parks & Recreation/Grants Division
14. Warrant #222571 - Date - 7/16/14 Name - Greenfields Outdoor Fitness Inc. Park/Pool equipment for CDBG eligible parks in the City of Compton - \$50,867.00 Requested by: Parks & Recreation/Grants Division

Warrant #222581 - Date - 7/16/14 Name - Knorr Systems Inc. Park/Pool equipment for eligible parks in the City of Compton - \$38,808.14 Requested by: Parks & Recreation/Grants Division

Warrant #222588 - Date - 7/16/14 Name - MDG Associates Inc. Payment to MDG for providing HUD Programs related to consulting services for the Grants Division - \$22,757.50 Requested by: Grants Division

TOTAL \$174,387.18

COUNCIL COMMENTS

ADJOURNMENT

NEXT REGULAR MEETING: Tuesday, September 02, 2014 @ 3:30 PM.

Visit our website at <http://www.comptoncity.org>

View Meetings Live at <mms://livemedia.comptoncity.org:8080>

July 22, 2014

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: ROBERT DELGADILLO, INTERIM DIRECTOR
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

SUBJECT: UPDATE ON UNATTENDED DONATION BOX ORDINANCE

SUMMARY:

Earlier this year the City Council approved the Unattended Donation Box Ordinance and associated fee schedule. When the fee schedule was adopted the city council had requested some changes be made to the Unattended Donation Box Ordinance to make the ordinance more restrictive. Setbacks and tighter location standards were discussed.

Staff has revised the Unattended Donation Box ordinance and will bring it back to the City Council in September. The key areas revised include the permit review process and location standards. Donation boxes will now require a Conditional Use Permit (CUP) instead of administrative approval. This provides for increased discretion during review, conditions of approval and a CUP fee.

The second area of revision concerns location standards. The location standards have been revised to require donation boxes only on commercial zoned properties containing at least 75,000 square feet of retail/office/restaurant floor space and an increased separation distance of 1,000 feet. The adopted ordinance already prohibits the donation box from locating in any landscape and building setback. Donation boxes are subject to the same setbacks as a commercial building.

These new revisions will significantly limit the number of donations boxes that could locate in the City.

ROBERT DELGADILLO, (INTERIM) DIRECTOR
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

APPROVED FOR FORWARDING:

G. HAROLD DUFFEY
CITY MANAGER

July 22, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: GLEN W. C. KAU, P.E., DIRECTOR OF PUBLIC WORKS & MUNICIPAL UTILITIES

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ENACTING PHASE I WATER SHORTAGE PLAN PER MUNICIPAL CODE SECTION 23-1.32(e)(2)

SUMMARY

In response to the State Water Resources Control Board (SWRCB) passage of emergency mandatory water restrictions on all potable water agencies effective August 1, 2014, this resolution of the City Council would immediately enact Phase I Water Shortage Plan restrictions on specific outdoor water uses per Municipal Code Section 23-1.32(e)(2).

BACKGROUND

The State of California has been experiencing multiple years of drought conditions which have resulted in record low allocations of State Project Water and existing reservoirs levels are quickly dwindling to record low levels. Due to these extreme conditions and the need to conserve more, the SWRCB has enacted emergency regulations that require individuals and water agencies take mandatory steps to conserve water supplies both for this year and into 2015. The emergency conservation regulations are primarily directed at reducing outdoor water use and as the drought wears on, the SWRCB may consider additional conservation measures.

STATEMENT OF THE ISSUE

To promote water conservation statewide, the emergency regulations would prohibit each of the following, except in case of health or safety needs or to comply with a term or condition in a permit issued by a state or federal agency:

- The direct application of water to any hard surface for washing.
- Watering of outdoor landscapes that cause runoff to adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots or structures.
- Using a hose to wash an automobile, unless the hose is fitted with a shut-off nozzle.
- Using potable water in a fountain or decorative water feature, unless the water is re-circulated.

#4.

Phase I Water Shortage Plan

July 22, 2014

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- To reduce water demand, the regulations would require urban water suppliers to implement their Water Shortage Contingency Plans at a level that triggers mandatory restrictions on outdoor water use.

In order to meet the SWRCB's mandatory conservation requirements the City of Compton can choose to enact Phase I Shortage of its conservation ordinance which was adopted via Ordinance No. 1851 on March 12, 1991. Per Section 23-1.32(e)(2) of the Compton Municipal Code, Phase I Water Shortage Plan stipulates the following mandatory restrictions:

- (a) There shall be no hose washing of sidewalks, walkways, driveways, parking areas or other paved surfaces, except as is required for sanitary purposes;
- (b) Washing of motor vehicles, trailers, boats and other types of mobile equipment shall be done only with a handheld bucket or a hose equipped with a positive shutoff nozzle for quick rinses, except that washing may be done at the immediate premises of a commercial car wash or with reclaimed water.
- (c) No water shall be used to clean, fill or maintain levels in decorative fountains, ponds, lakes or other similar aesthetic structures unless such water is part of a recycling system.
- (d) No restaurant, hotel, cafe, cafeteria or other public place where food is sold, served or offered for sale, shall serve drinking water to any customer unless expressly requested.
- (e) All customers of the Compton Water Department shall promptly repair all leaks from indoor or outdoor plumbing fixtures.
- (f) No lawn, landscape, or other turf area shall be watered more often than every other day. Specifically, all customers with an even address number shall water on even calendar dates of the month, and all customers with an odd address number shall water on odd calendar dates of the month. On the thirty-first (31st) of the month, there shall be no watering, unless reclaimed water is used. No watering shall be done between the hours of 10:00 a.m. and 4:00 p.m.; except that the provision shall not apply to commercial nurseries, golf courses and other water-dependent industries.
- (g) No customer of the Compton Municipal Water Department shall cause or allow the water to run off landscape area into adjoining streets, sidewalks or other paved areas due to incorrectly directed or maintained sprinklers or excessive watering.

ALTERNATIVE

None

Phase I Water Shortage Plan
July 22, 2014
Page 3

FISCAL IMPACT

Urban water suppliers that violate mandatory actions could be subject to cease and desist orders for violating emergency regulations with fines up to \$10,000 per day per violation. Or, the matter could be referred to the Attorney General's office for further action.

RECOMMENDATIONS

It is recommended that the Mayor and City Council authorize the immediate enactment of Phase I Water Shortage Plan restrictions on specific outdoor water uses per Municipal Code Section 23-1.32(e)(2).

CHAD BLAIS
DEPUTY DIRECTOR OF PUBLIC WORKS & MUNICIPAL UTILITIES
WATER UTILITY DIVISION

GLEN W. C. KAU, P.E., DIRECTOR OF PUBLIC WORKS &
MUNICIPAL UTILITIES

APPROVED FOR FORWARDING

G. HAROLD DUFFEY
CITY MANAGER

Attachment 1: SWRCB Media Release
Attachment 2: Ordinance 1851
Attachment 3: Drought Violation Notice Door Hanger

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
ENACTING PHASE I WATER SHORTAGE PLAN PER MUNICIPAL CODE
SECTION 23-1.32(e)(2)**

WHEREAS, The City of Compton is responsible for ensuring adequate water supplies are available to meet potable water demands; and

WHEREAS, On March 12, 1991 the Compton City Council adopted Ordinance No. 1,851 of the Compton Municipal Code stating available phases of water restrictions that may be enacted during a Water Shortage; and

WHEREAS, The Governor of California previously declared the State of California in drought conditions on January 17, 2014 and directed state officials to take all necessary actions to prepare for these drought conditions; and

WHEREAS, Due to prolonged drought conditions the State Water Resources Control Board has issued an emergency order requiring potable water providers to institute mandatory water restrictions for outdoor water users; and

WHEREAS, The City Council finds and determines that a water shortage emergency exists based upon a general water supply shortage has occurred due to increased demand or limited supplies; and

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

SECTION 1. That Phase I of the Water Shortage Plan be implemented.

SECTION 2. That the objectives of the Plan are:

- (a) to prevent water supply shortages through aggressive and effective water management programs such as conjunctive use and water conservation;
- (b) to minimize the impact of a water supply shortage on the City's population and economy;
- (c) to provide first for public health and fire protection and other essential services, then to provide for the economic health of the City, and then to provide for other uses of water; and
- (d) to ensure that water users who conserve water during normal-year hydrology and wet-year hydrology are not disadvantaged by the Plan during shortage.

SECTION 3. The following uses of water are prohibited during a Phase I Water Shortage:

- (a) There shall be no hose washing of sidewalks, walkways, driveways, parking areas or other paved surfaces, except as is required for sanitary purposes.
- (b) Washing of motor vehicles, trailers, boats and other types of mobile equipment shall be done only with a hand-held bucket or a hose equipped with a positive shutoff nozzle for quick rinses, except that washing may be done at the immediate premises of a commercial car wash or with reclaimed water.

RESOLUTION NO. _____

- (c) No water shall be used to clean, fill or maintain levels in decorative fountains, ponds, lakes or other similar aesthetic structures unless such water is part of a recycling system.
- (d) No restaurant, hotel, café, cafeteria or other public place where food is sold, served or offered for sale, shall serve drinking water to any customer unless expressly requested.
- (e) All customers of the Compton Water Department shall promptly repair all leaks from indoor and outdoor plumbing fixtures.
- (f) No lawn, landscape, or other turf area shall be watered more often than every other day. Specifically, all customers with an even address number shall water on even calendar dates of the month, and all customers with an odd address numbers shall water on odd calendar dates of the month. On the thirty-first (31st) of the month, there shall be no watering, unless reclaimed water is used. No watering shall be done between the hours of 10:00 A.M. and 4:00 P.M.; except that the provision shall not apply to commercial nurseries, golf courses and other water-dependent industries.
- (g) No customers of the Compton Municipal Water Department shall cause or allow the water to run off landscape area into adjoining streets, sidewalks or other paved areas due to incorrectly directed or maintained sprinklers or excessive watering.

SECTION 4. The Water Utility Division is authorized to enforce all observed non-compliance of mandatory water restrictions by utilizing written warning notifications to customers, shutting off water supply and/or issuance of fines per the municipal code if corrections are not made.

SECTION 5. The Water Utility Division shall publish the declaration of a Water Supply Shortage in a local newspaper of general circulation, including the implementation date of the declaration.

SECTION 6. That a copy of this resolution shall be filed in the offices of the City Manager, City Controller and Water Utility Division.

SECTION 7. That the Mayor shall sign and the City Clerk shall certify adoption of this resolution and shall post or publish as required by law.

ADOPTED this _____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

**STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON**

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 _____ 2014.
RESOLUTION NO. _____
PAGE THREE

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

ORDINANCE NO. 1.851

1
2 AN EMERGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON
3 ADDING SECTION 23-1.32 TO THE COMPTON MUNICIPAL CODE FOR WATER
4 CONSERVATION.

5 THE CITY COUNCIL OF THE CITY OF COMPTON DOES ORDAIN AS FOLLOWS:

6 SECTION 1. That Section 23-1.32, Water Conservation, is herein
7 added to the Compton Municipal Code to read as follows:

8 A. STATEMENT OF POLICY AND DECLARATION OF PURPOSE

9 1. The Compton Municipal Water Department (hereinafter "Water
10 Department") obtains approximately 50% of the potable water needed
11 to serve its customers from The Metropolitan Water District of
12 Southern California (hereinafter "Metropolitan").

13 2. The general welfare requires that the water resources
14 available to the City of Compton (hereinafter "City"), be put to
15 the maximum beneficial use, to the extent to which they are
16 capable and that the waste or unreasonable uses, must be
17 prevented. The conservation of water must be practiced so that
18 the limited supply of water will be available to serve the
19 interests of the citizens of the City of Compton and for the
20 public welfare.

21 3. The purpose of this ordinance is to provide a mandatory water
22 conservation plan limiting the amount of water which may be
23 delivered to customers to protect the health, welfare and safety
24 of the community.

25 4. The Compton City Council (hereinafter "City Council"), finds
26 that this Section and actions taken hereafter are exempt from the
27 provisions of the California Environmental Quality Act of 1970 as
28 specific actions necessary to prevent or mitigate an emergency
29 pursuant to Section 15307.

30 B. WATER SHORTAGE EMERGENCY FINDINGS

31 1. The City Council finds and determines that a water shortage
32 emergency could exist based upon the occurrence of one or more of
the following conditions:

a. A general water supply shortage takes place due to
increased demand or limited supplies.

b. Distribution or storage facilities of the City become
inadequate.

c. A major failure or contamination of the supply,
storage, and/or distribution facilities of Metropolitan
or the City.

33 C. AUTHORIZATION FOR A WATER CONSERVATION ORDINANCE

34 Pursuant to Section 375 et seq. of the Water Code of the State of
35 California, the Compton City Council is authorized to adopt and
36 enforce the provisions of this ordinance.

ORDINANCE NO. 1.851
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1 D. GENERAL PROHIBITION

2 No customer of the Compton Municipal Water Department shall cause,
3 use or permit the use of water from the water system in a manner
4 contrary to any provision of this ordinance or in an amount in
5 excess of that use permitted by any curtailment provisions then in
6 effect pursuant to action taken by the City Council in accordance
7 with the provisions of this ordinance.

8 E. PHASE 1 SHORTAGE

9 1. A Phase 1 Shortage shall be declared when the City Council,
10 upon the recommendation of the City Manager and General Manager of
11 the Municipal Water Department, determines that it is likely that
12 it will suffer a shortage in its water supplies.

13 2. The following curtailments on the use of water shall be in
14 effect during a Phase 1 Shortage:

15 a. There shall be no hose washing of sidewalks,
16 walkways, driveways, parking areas or other paved
17 surfaces, except as is required for sanitary purposes;

18 b. Washing of motor vehicles, trailers, boats and other
19 types of mobile equipment shall be done only with a
20 hand-held bucket or a hose equipped with a positive
21 shutoff nozzle for quick rinses, except that washing may
22 be done at the immediate premises of a commercial car
23 wash or with reclaimed water.

24 c. No water shall be used to clean, fill or maintain
25 levels in decorative fountains, ponds, lakes or other
26 similar aesthetic structures unless such water is part
27 of a recycling system.

28 d. No restaurant, hotel, cafe, cafeteria or other public
29 place where food is sold, served or offered for sale,
30 shall serve drinking water to any customer unless
31 expressly requested.

32 e. All customers of the Compton Water Department shall
promptly repair all leaks from indoor and outdoor
plumbing fixtures.

f. No lawn, landscape, or other turf area shall be
watered more often than every other day. Specifically,
all customers with an even address number shall water on
even calendar dates of the month, and all customers with
an odd address number shall water on odd calendar dates
of the month. On the thirty first (31st) of the month,
there shall be no watering, unless reclaimed water is
used. No watering shall be done between the hours of
10:00 A.M. and 4:00 P.M.; except that the provision
shall not apply to commercial nurseries, golf courses
and other water-dependent industries.

g. No customer of the Compton Municipal Water Department
shall cause or allow the water to run off landscape area
into adjoining streets, sidewalks or other paved areas
due to incorrectly directed or maintained sprinklers or
excessive watering.

ORDINANCE NO. 1,851
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F. PHASE II SHORTAGE

1. A Phase II Shortage shall be declared when the City Council, upon the recommendation of the City Manager and General Manager of the Water Department determines, that it is likely that it will suffer a shortage of five percent (5%) in water supplies.

2. The following curtailments on the use of water shall be in effect during a Phase II Shortage:

a. The curtailments listed in Section 1, Subsection (E-2) shall be in effect, and no watering shall be done between the hours of 10:00 A.M. and 4:00 P.M.

b. Commercial nurseries, golf courses and other water-dependent industries shall be prohibited from watering lawn, landscape or other turf areas more often than every other day; and no watering shall be done between the hours of 10:00 A.M. and 4:00 P.M.; except that there shall be no restriction on watering with reclaimed water.

3. No customer shall cause, use, or permit the use of water from the Compton Water Department for any purpose in an amount in excess of ninety-five percent (95%) of the amount used on the customer's premises during the corresponding billing period in the 1990 calendar year (Base Year).

4. Single family residential customers who use less than fifteen (15) units per month (i.e. billing period) are exempt from Section 1, Subsection (F-3).

5. Any customer who was not a customer on the premises, for which service was billed by the Water Department during the base period, shall be assigned the same base for such or similar premises, and the Water Department shall have the further discretion to adjust such base in the event such customer's use of the premises is substantially different from the previous use.

G. PHASE III SHORTAGE

1. A Phase III Shortage shall be declared when the City Council, upon the recommendation of the City Manager and General Manager of the Water Department determines, that it is likely that it will suffer a shortage of ten percent (10%).

2. The following curtailments on the use of water shall be in effect during a Phase III Shortage:

a. The curtailments listed in Section 1, Subsection (E-2) shall be in effect, except that the restrictions on watering lawn, landscape, and other turf areas shall be modified to prohibit watering more often than every other day; and, no watering shall be done between the hours of 10:00 A.M. and 4:00 P.M.

b. Commercial nurseries, golf courses and other water-dependent industries shall be prohibited from watering lawn, landscape or other turf areas more often than every other day; and no watering shall be done between the hours of 10:00 A.M. and 4:00 P.M.; except that there shall be no restriction on watering with reclaimed water.

ORDINANCE NO. 1,851

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1 c. The use of water from fire hydrants shall be limited
2 to fire fighting and related activities and other uses
3 of water for municipal purposes shall be limited to
activities necessary to maintain the public health,
safety and welfare.

4 3. No customer shall cause, use, or permit the use of water from
5 the Compton Water Department for any purpose in an amount in
6 excess of ninety percent (90%) of the amount used on the customers
premises during the corresponding billing period in the 1990
calendar year (Base Year).

7 4. Single family residential customers who uses less than fourteen
8 (14) units per month (i.e. billing period) are exempt from Section
1, Subsection (H-3).

9 5. Any customer who was not a customer on the premises for which
10 service was billed by the Water Department during the base period
11 shall be assigned the same base for such or similar premises, and
12 the Water Department shall have the further discretion to adjust
such base in the event such customer's use of the premises is
substantially different from the previous use.

13 H. PHASE IV SHORTAGE

14 1. A Phase IV Shortage shall be declared when the City Council,
15 upon the recommendation of the City Manager and General Manager of
the Water Department determines, that it is likely that it will
suffer a shortage of fifteen percent (15%)

16 2. The following curtailments on the use of water shall be in
17 effect during a Phase IV Shortage:

18 a. The curtailments listed in Section 1, Subsection
19 (E-2) shall be in effect, except that the restrictions
on watering lawn, landscape, and other turf areas shall
20 be modified to prohibit watering more often than every
third day; and no watering shall be done between the
21 hours of 8:00 A.M. and 6:00 P.M.; except that there
shall be no restrictions on watering with reclaimed
water.

22 b. Commercial nurseries, golf courses and other water-
23 dependent industries shall be prohibited from watering
lawn, landscape or other turf areas more often than
24 every third day; and no watering shall be done between
the hours of 8:00 A.M. and 6:00 P.M.; except that there
25 shall be no restriction on watering with reclaimed
water.

26 c. The use of water from fire hydrants shall be limited
27 to fire fighting and related activities and other uses
28 of water for municipal purposes shall be limited to
activities necessary to maintain the public health,
safety, and welfare.

29 3. No customer shall cause, use, or permit the use of water from
30 the Compton Water Department for any purpose in an amount in
31 excess of eighty-five percent (85%) of the amount used on the
customers premises during the corresponding billing period in the
32 1990 calendar year (Base Year).

ORDINANCE NO. 1,851
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1 4. Single family residential customers who use less than thirteen
2 (13) units per month (i.e. billing period) are exempt from Section
3 1, Subsection (H-3).

4 5. Any customer who was not a customer on the premises for which
5 service was billed by the Water Department during the base period
6 shall be assigned the same base for such or similar premises, and
7 the Water Department shall have the further discretion to adjust
8 such base in the event such customer's use of the premises is
9 substantially different from the previous use.

10 I. PHASE V SHORTAGE

11 1. A Phase V Shortage shall be declared when the City Council,
12 upon the recommendation of the City Manager and General Manager of
13 the Water Department, determines, that it is likely that it will
14 suffer a shortage of twenty percent (20%)

15 2. The following curtailments on the use of water shall be in
16 effect during a Phase V Shortage:

17 a. The curtailments listed in Section 1, Subsection
18 (E-2) shall be in effect, except that the restrictions
19 on watering lawn, landscape, and other turf areas shall
20 be modified to prohibit watering more often than every
21 third day; and no watering shall be done between the
22 hours of 8:00 A.M. and 6:00 P.M.; except that there
23 shall be no restrictions on watering with reclaimed
24 water.

25 b. Commercial nurseries, golf courses and other water-
26 dependent industries shall be prohibited from watering
27 lawn, landscape or other turf areas more often than
28 every third day; and no watering shall be done between
29 the hours of 8:00 A.M. and 6:00 P.M.; except that there
30 shall be no restriction on watering with reclaimed
31 water.

32 c. The use of water from fire hydrants shall be limited
to fire fighting and related activities and other uses
of water for municipal purposes shall be limited to
activities necessary to maintain the public health,
safety, and welfare.

3. No customer shall cause, use, or permit the use of water from
the Compton Water Department for any purpose in an amount in
excess of eighty percent (80%) of the amount used on the customers
premises during the corresponding billing period in the 1990
calendar year (Base Year).

4. Single family residential customers who uses less than twelve
(12) units per month (i.e. billing period) are exempt from Section
1, Subsection (I-3).

5. Any customer who was not a customer on the premises for which
service was billed by the Water Department during the base period
shall be assigned the same base for such or similar premises, and
the Water Department shall have the further discretion to adjust
such base in the event such customer's use of the premises is
substantially different from the previous use.

ORDINANCE NO. 1.851

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1 J. PHASE VI SHORTAGE

2 1. A Phase VI Shortage shall be declared when the City Council,
3 upon the recommendation of the City Manager and General Manager of
4 the Water Department determines, that it is likely that it will
suffer a shortage of twenty-five percent (25%).

5 2. The following curtailments on the use of water shall be in
effect during a Phase VI Shortage:

6 a. The curtailments listed in Section 1, Subsection (E-
7 2) shall be in effect, except that the restrictions on
8 watering of lawn, landscape, and other turf areas shall
be modified to prohibit watering more often than every
9 fourth day; and no watering shall be done between the
hours of 8:00 A.M. and 6:00 P.M.; except that there
10 shall be no restrictions on watering with reclaimed
water.

11 b. Commercial nurseries, golf courses and other water-
dependent industries shall be prohibited from watering
12 lawn, landscape or other turf areas more often than
every third day; and no watering shall be done between
13 the hours of 8:00 A.M. and 6:00 P.M.; except that there
shall be no restriction on watering with reclaimed
14 water.

15 c. The use of water from fire hydrants shall be limited
to fire fighting and related activities and other uses
16 of water for municipal purposes shall be limited to
activities necessary to maintain the public health,
17 safety, and welfare.

18 3. No customer shall cause, use, or permit the use of water from
the Compton Water Department for any purpose in an amount in
19 excess of seventy-five percent (75%) of the amount used on the
customers premises during the corresponding billing period in the
20 1990 calendar year (base Year).

21 4. Single family residential customers who use less than seven (7)
units per month (i.e. billing period) are exempt from Section 1,
22 Subsection (J-3).

23 5. Any customer who was not a customer on the premises for which
service was billed by the Water Department during the base period
24 shall be assigned the same base for such or similar premises, and
the Water Department shall have the further discretion to adjust
25 such base in the event such customer's use of the premises is
substantially different from the previous use.

26 K. RELIEF FROM COMPLIANCE

27 1. A customer may file an application for relief from any
28 provisions of this Ordinance. The General Manager of the Compton
Municipal Water Department (hereinafter "Manager") shall develop
29 such procedures as he/she considers necessary to resolve such
applications and shall, upon the filing by a customer of an
30 application for relief, take such steps as he or she deems
reasonable to resolve the application for relief. The decision of
31 the City Manager shall be final.

32

ORDINANCE NO. 1.851
PAGE NO. 7

2. The application for relief may include a request that the customer be relieved, in whole or in part, from the water use curtailment provisions of Subsections (F-2, G-2, H-2, I-2 and J-2) of Section 1.

3. In determining whether to grant relief, and the nature of any relief, the Manager shall take into consideration all relevant factors including, but not limited to:

a. Whether any additional reduction in water consumption will result in unemployment;

b. Whether additional members have been added to the household;

c. Whether any additional landscaped property has been added to the property since the corresponding billing period of the 1990 calendar year;

d. Changes in vacancy factors in multi-family housing;

e. Increased number of employees in commercial, industrial, and governmental offices;

f. Increased production requiring increased process water;

g. Water used during new construction;

h. Adjustments to water use caused by emergency health or safety hazards;

i. First filling of a permit-constructed swimming pool, and

j. Water use necessary for reasons related to family illness or health.

In order to be considered, an application for relief must be filed with the Compton Municipal Water Department fifteen (15) days from the date the provision from which relief is sought becomes applicable to the applicant. No relief shall be granted unless the customer shows that he or she has achieved the maximum practical reduction in water consumption other than in the specific areas in which relief is being sought. No relief shall be granted to any customer who, when requested by the Manager, fails to provide any information necessary for resolution of the customer's application for relief.

L. FAILURE TO COMPLY

1. The following shall occur during Phase II, III or IV: If water is used during any billing period in excess of the water use curtailment amount as set forth in Subsections (F-2, G-2, H-2, I-2, and J-2) of Section 1 for that period, a surcharge shall be imposed on said excess at double the basic rate established by the Water Department for each billing unit (100 cubic feet) of water.

a. If the curtailment amount is exceeded for three (3) consecutive billing periods during drought conditions, the Water Department, in addition to said surcharge, may either install a device on the meter to restrict the

ORDINANCE NO. 1,851

PAGE NO. 8

1 flow of water or discontinue service to the account upon
2 written notification to the customer.

3 2. The following shall occur during Phase V and VI:
4 If water is used during any billing period in excess of the water
5 use curtailment amount as set forth in Subsections (F-2, G-2, H-2,
6 I-2 and J-2) of Section 1 for that period, a surcharge shall be
7 imposed on said excess at triple the basic rate established by the
8 Water Department for each billing unit (100 cubic feet) of water.

9 a. If the curtailment amount is exceeded for three (3)
10 consecutive billing periods during drought conditions,
11 the Water Department, in addition to said surcharge, may
12 either install a device on the meter to restrict the
13 flow of water or discontinue service to the account upon
14 written notification to the customer.

15 3. Violation by any customer of the water use prohibitions of
16 Subsections (E-2, F-2, G-2, H-2, I-2 and J-2) of Section 1 shall
17 be penalized as follows:

18 a. First Violation. The Compton Municipal Water
19 Department may issue a written notice of the fact of a
20 first violation during a water shortage emergency
21 whether it be Phase I, Phase II, Phase III, Phase IV,
22 Phase V, and Phase VI to the customer.

23 b. Second Violation. For a second violation during a
24 Phase I Phase II, Phase III or Phase IV water emergency
25 shortage, the Compton Municipal Water Department shall
26 impose a surcharge of \$35.00. During Phase V and VI a
27 surcharge of \$50.00 shall be imposed. These charges
28 will be added to the water bill.

29 c. Third and Subsequent Violation. For a third and each
30 subsequent violation during any one water shortage
31 emergency, the Compton Municipal Water Department shall
32 install a flow restricting device on the service of the
customer at the premises at which the violation occurred
for a period of not less than forty-eight (48) hours.
The Compton Municipal Water Department shall charge the
customer the reasonable costs incurred for installing
and for removing the flow-restricting devices and for
restoration of normal service. The charge shall be paid
before normal service can be restored.

33 In addition, the surcharge provided in Section 1
34 Subsection (L-1) and Subsection (L-2) shall be imposed.

35 4. The Compton Municipal Water Department shall give notice of
36 violation to the customer committing the violation as follows:

37 a. Notice of violation of the water use curtailment
38 provisions of Section 1 or of Subsections E-2, F-2, G-2,
39 H-2, I-2 and J-2) of Section 1 shall be given in writing
40 in the following manner:

41 1. If the customer is absent from or
42 unavailable at the premises at which the
violation occurred, by leaving a copy with
some person of suitable age and discretion at

ORDINANCE NO. 1,851

PAGE NO. 9

the premises and sending a copy through the regular mail to the address at which the customer is normally billed.

2. If a person of suitable age or discretion cannot be found, then by affixing a copy in a conspicuous place at the premises at which the violation occurred and also sending a copy through the regular mail to the address at which the customer is normally billed.

b. The notice shall contain a description of the facts of the violation, a statement of the possible penalties for each violation and a statement informing the customer of his right to a hearing on the merits of the violation pursuant to Section 1 Subsection (M).

M. HEARING REGARDING VIOLATIONS

1. Any customer receiving notice of a second or subsequent violation of Subsections (E-2, F-2, G-2, H-2, I-2 and J-2) of Section 1 shall have a right to a hearing by the Manager of the Compton Municipal Water Department or his or her designee, within fifteen (15) days of mailing or other delivery of the notice of violation.

2. The customer's timely written request for a hearing shall automatically stay installation of a flow-restricting device on the customer's premises until the Manager renders his or her decision.

3. The customer's timely written request or a hearing shall not stay the imposition of a surcharge unless within the time period to request a hearing, the customer deposits with the Compton Water Department money in the amount of any unpaid surcharge due. If it is determined that the surcharge was wrongly assessed, the Department shall refund any money deposited to the customer.

4. The decision of the City Manager shall be final except for judicial review.

N. RESERVATION OF RIGHTS.

The rights of the Water Department hereunder shall be in addition to any other right of the Water Department including those to discontinue service.

O. ADDITIONAL WATER SHORTAGE MEASURES

The City Council of the City of Compton may order implementation of water conservation measures in addition to those set forth in this code. Such additional water conservation measures shall be implemented by an ordinance passed by the City Council.

P. PUBLIC HEALTH AND SAFETY NOT TO BE AFFECTED

Nothing in this ordinance shall be construed to require the City of Compton or the Compton Municipal Water Department to curtail the supply of water to any customer when such water is required by that customer to maintain an adequate level of public health and safety.

ORDINANCE NO. 1,351
PAGE NO. 10

Q. SEVERABILITY

If any part of this code or the application thereof to any person or circumstance is for any reason held invalid by a court of competent jurisdiction, the validity of the remainder of the ordinance or the application of such provision to other persons or circumstances shall not be affected.

SECTION 2. That all Phases of water rationing shall be implemented by resolution by the City Council.

SECTION 3. That the adoption of this Emergency Ordinance is urgent due to a water shortage and it shall take effect upon its adoption to ensure the preservation of public health, safety and welfare.

SECTION 4. That the Mayor shall sign and the City Clerk shall attest to the adoption of this ordinance.

SECTION 5. That the City Clerk shall certify to the adoption of this ordinance and shall cause the same to be published as required by law.

ADOPTED this 12 day of March, 1991.

Marcy D. Filer
MAYOR OF THE CITY OF COMPTON
PRO TEM

ATTEST:

Charles Davis
CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON

I, Charles Davis, City Clerk of the City of Compton, hereby certify that the foregoing Emergency Ordinance was adopted by the City Council of said City, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on this 12 day of March, 1991.

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

AYES: COUNCIL MEMBERS - MOORE, WOODS, ROBBINS, FILER
NOES: COUNCIL MEMBERS - NONE
ABSENT: COUNCIL MEMBERS - NONE

Charles Davis
CITY CLERK OF THE CITY OF COMPTON



Media Release

State Water Board Approves Emergency Regulation to Ensure Agencies and State Residents Increase Water Conservation

**For Immediate Release
July 15, 2014**

**Contact: George Kostyrko
(916) 341-7365**

In response to the ongoing severe drought, on Tuesday the State Water Resources Control Board approved an emergency regulation to ensure water agencies, their customers and state residents increase water conservation in urban settings or face possible fines or other enforcement.

The new conservation regulation is intended to reduce outdoor urban water use. The regulation, adopted by the State Water Board, mandates minimum actions to conserve water supplies both for this year and into 2015. Most Californians use more water outdoors than indoors. In some areas, 50 percent or more of daily water use is for lawns and outdoor landscaping.

Many communities and water suppliers have taken bold steps over the years and in this year to reduce water use; however, many have not and much more can and should be done statewide to extend diminishing water supplies.

With this regulation, all Californians will be expected to stop: washing down driveways and sidewalks; watering of outdoor landscapes that cause excess runoff; using a hose to wash a motor vehicle, unless the hose is fitted with a shut-off nozzle, and using potable water in a fountain or decorative water feature, unless the water is recirculated. The regulation makes an exception for health and safety circumstances.

Larger water suppliers will be required to activate their Water Shortage Contingency Plan to a level where outdoor irrigation restrictions are mandatory. In communities where no water shortage contingency plan exists, the regulation requires that water suppliers either limit outdoor irrigation to twice a week or implement other comparable conservation actions. Finally, large water suppliers must report water use on a monthly basis to track progress.

Local agencies could ask courts to fine water users up to \$500 a day for failure to implement conservation requirements in addition to their existing authorities and processes. The State Water Board could initiate enforcement actions against water agencies that don't comply with the new regulations. Failure to comply with a State Water Board enforcement order by water agencies is subject to up to a \$10,000 a day penalty.

"We are facing the worst drought impact that we or our grandparents have ever seen," said State Water Board Chair Felicia Marcus. "And, more important, we have no idea when it will end. This





drought's impacts are being felt by communities all over California. Fields are fallowed; communities are running out of water, fish and wildlife will be devastated. The least that urban Californians can do is to not waste water on outdoor uses. It is in their self-interest to conserve more, now, to avoid far more harsh restrictions, if the drought lasts into the future. These regulations are meant to spark awareness of the seriousness of the situation, and could be expanded if the drought wears on and people do not act."

In addition to approving the emergency conservation regulation today, the State Water Board made a plea for water suppliers, communities and businesses to do even more. For example, water agencies are being asked to step up their programs to fix leaks and other sources of water loss, use more recycled water or captured stormwater, and find additional ways to incentivize demand reduction among their customers.

The new regulation was developed following two drought emergency declarations by Governor Brown. On January 17, Governor Edmund G. Brown Jr. issued a drought emergency proclamation following three dry or critically dry years in California.

The April 25 Executive Order issued by the Governor directs the State Water Board to adopt an emergency regulation as it deems necessary, pursuant to Water Code section 1058.5, to ensure that urban water suppliers implement conservation measures.

As drought conditions continue, the State Water Board may revisit this regulation and consider other measures to enhance conservation efforts throughout the state.

Following Board adoption, the regulation will likely go into effect on or about August 1, following submittal to the Office of Administrative Law. The emergency regulation remains in effect for 270 days, unless extended by the State Water Board due to ongoing drought conditions.

For more information on the proposals leading to this Board action, please visit the [Emergency Water Conservation](#) website.

Governor Brown has called on all Californians to reduce their water use by 20 percent and prevent water waste – visit [SaveOurH2O.org](#) to find out how everyone can do their part, and visit [Drought.CA.Gov](#) to learn more about how California is dealing with the effects of the drought.

IMPORTANT NOTICE



“As of July 22, 2014 the City is in Phase I of our Water Supply Shortage Conservation Plan. We have observed one or more issues on your property where you could help CONSERVE WATER.”

LOOK ON REVERSE SIDE
FOR MORE DETAILS



Water Conservation

Water Watchdog Hotline
(310) 605-5698

Failure to comply can result in your water being shut-off and/or a fine up to \$500 per day

Date: _____

Time: _____

Property Address: _____

☐

Watering During the Day / Raining

Municipal Code 23-1.32(e)(2)(f) states “No watering shall be done between the hours of 10:00 a.m. and 4:00 p.m.”

Conservation Tip:

Adjust your irrigation timer to water either before 7 am or after 8 pm. Irrigating during the day can result in water loss due to evaporation or heavy winds.

☐

Excessive Water Runoff

Municipal Code 23-1.32 (e)(2)(g) states “No customer shall cause or allow the water to run off landscape area into adjoining streets, sidewalks or other paved areas due to incorrectly directed or maintained sprinklers or excessive watering.”

Conservation Tip:

Irrigating longer than 5 minutes at a time tends to create significant runoff that ends up in the gutter because soil can't absorb the water fast enough.

☐

Hosing Down Driveway / Walkways

Municipal Code 23-1.32(e)(2)(a) states “There shall be no hose washing of sidewalks, walkways, driveways, parking areas or other paved surfaces...”

Conservation Tip:

Use a broom. Cleaning sidewalks and driveways with a hose wastes water and washes pollutants into storm drains and eventually into the ocean.

☐

Broken / Misaligned Sprinklers

Municipal Code 23-1.32(e)(2)(e) states “All customers shall promptly repair all leaks from indoor or outdoor plumbing fixtures.”

Conservation Tip:

Irrigation systems should be routinely tested to identify any leaks, broken sprinkler heads, or sprinklers watering into the street or other hardscaped areas.

Comments: _____

Water Saving Device Rebates Available:
www.bewaterwise.com or www.socalwatersmart.com

RESOLUTION SIGN-OFF FORM

DEPARTMENT:

Water Department

RESOLUTION TITLE:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ENACTING PHASE I WATER SHORTAGE PLAN PER MUNICIPAL CODE SECTION 23-1.32(e)(2)

<ManagersName>

DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>

DATE

REVIEW / APPROVAL

<LegalName>

CITY ATTORNEY

<LegalDate>

DATE

<ControllerName>

CITY CONTROLLER

<ControllerDate>

DATE

<CityManager>

CITY MANAGER

<CityManagerDate>

DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY MANAGER'S OFFICE

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO RENEW THE AGREEMENT WITH THE COUNTY OF LOS ANGELES, DEPARTMENT OF ANIMAL CARE AND CONTROL FOR PROVISION OF ANIMAL CONTROL SERVICES TO THE CITY FOR FISCAL YEARS 2014-2019

SUMMARY

The City Council will adopt a resolution authorizing the City Manager to renew the Animal Care and Control Services Agreement with the County of Los Angeles for Fiscal Years 2014 through 2019.

BACKGROUND

For many years the City of Compton has contracted with the County of Los Angeles to provide animal control services to the City through the County's Department of Animal Care and Control.

Typical services include, but are not limited to dead animal pick-up, capture impoundment, care of stray animals, licensing and medical services. The City is billed monthly for housing services according to costs the County incurs, with the City receiving offsetting credits for licensing and impounding.

STATEMENT OF THE ISSUE

The City of Compton passed Resolution No. 23,176 on July 27th, 2010 for Animal Care and Control Services Agreement with the County of Los Angeles for a period of five years (5) from July 1st, 2010 to June 30th, 2015. Whereas, the County of Los Angeles executed a four (4) year contract which expired the June 30th, 2014.

On July 2, 2014 the County of Los Angeles Department of Animal Care provided an extension until July 22nd, 2014 to avoid any interruptions of service in order to enter into a new five (5) year agreement for fiscal years 2014-2019.

#6.

The City is not equipped nor does it have the personnel or facilities to provide these much needed services to protect the health and well being of the city and its citizens. It will be beneficial for the City to contract with the County continue to providing these services.

FINANCIAL IMPACT

The anticipated amount of services by the County has been set at \$416,000.00 although, Payments are projected at an amount of \$450,000.00, for services which includes approximately \$34,000.00 for Special Programs and Services relating to Unique Areas of our City. These funds for the Fiscal Year 2014-2015 have been allocated in the Building and Safety Department in account number 1001-790-000-4269. Funds for services rendered by the County during remaining Fiscal Years (2014-2015, 2015-2016, 2016-2017, 2017-2018, and 2018-2019), will be appropriated and allocated during adoption of the annual City budget for that year.

RECOMMENDATION

Staff recommends that the Council adopt the attached Resolution authorizing the City Manager to renew the Animal Care and Control Services Agreement with the County of Los Angeles for a five-year period, commencing July 1, 2014 through June 30, 2019.

G. HAROLD DUFFEY
CITY MANAGER

RESOLUTION NO. _____**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO RENEW THE AGREEMENT WITH THE COUNTY OF LOS ANGELES, DEPARTMENT OF ANIMAL CARE AND CONTROL FOR PROVISION OF ANIMAL CONTROL SERVICES TO THE CITY FOR FISCAL YEARS 2014-2019**

WHEREAS, for many years the City has contracted with the County of Los Angeles for provision of animal control services to the City through the County's Department of Animal Care and Control; and

WHEREAS, said services are an on-going necessity to protect the health and well being of the City and its citizens and the City is not equipped nor has the personnel or facilities to handle the required services; and

WHEREAS, the Animal Control Services Agreement between the City and County expired on June 30, 2014, and the City finds that renewal of the Agreement is beneficial and advantageous to the City; and

WHEREAS, funds have been allocated in the Building and Safety Department's Fiscal Year 2014-2015 annual budget for these services and will be appropriated each of the subsequent Fiscal Years budget.

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

SECTION 1. That on the advice and approval of the City Attorney the City Manager is authorized to renew the Animal Control Services Agreement between the City of Compton and the County of Los Angeles.

SECTION 2. That the term of the Animal Control Services Agreement with the County of Los Angeles shall be for five (5) years, commencing on July 1, 2014 through June 30, 2019.

SECTION 3. That the City Manager is authorized to remit payments projected at \$450,000.00 , for services rendered by the County in Fiscal Year 2014-2015 from funds that have been allocated in the Building and Safety Department budget in Account No. 1001-770-0000-4269.

SECTION 4. That funds will be appropriated for services rendered for by the County in Fiscal Years 2014-2015, 2015-2016, 2016-2017, 2017-2018, and 2018-2019 during the adoption of the annual City budget.

SECTION 5. That a certified copy of this Resolution shall be filed in the offices of the City Clerk, City Attorney, City Manager, City Controller and Building and Safety Department.

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

Resolution No. _____
Page 2

ADOPTED this _____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON:

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 the regular meeting thereof held on the _____ day of _____, 2014.

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

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Building and Safety

RESOLUTION TITLE: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO RENEW THE AGREEMENT WITH THE COUNTY OF LOS ANGELES, DEPARTMENT OF ANIMAL CARE AND CONTROL FOR PROVISION OF ANIMAN CONTROL SERVICES TO THE CITY FOR FISCAL YEARS 2014-2019

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO RENEW THE PROFESSIONAL SERVICES CONTRACT WITH STRATEGIC COUNSEL PLC FOR STATE LEGISLATIVE AND ADVOCACY SERVICES FOR FISCAL YEAR 2013-2014

SUMMARY

The City Council will consider a resolution authorizing the City Manager to renew the professional services agreement with Strategic Counsel for state legislative and advocacy services during Fiscal Year 2014-2015.

BACKGROUND

Approximately 5,000 bills move through the California Legislature every session. Strategic Counsel has extensive experience representing public and private organizations in a wide range of issues including regulatory and legislative matters. Furthermore, Strategic Counsel has provided legislative and advocacy services to the City of Compton and possesses the experience to represent the City at the State level. Strategic Counsel has administered state legislative and advocacy services to the City since July 2007.

By way of example of just a few of the matters and issues that Strategic Counsel has diligently advocated on behalf of the City during Fiscal Year 2013-2014:

- Led and organized the effort, involving eleven other Los Angeles area cities, to protect Compton's voter-approved pension tax, valued at \$7 million annually.
- Secured a personal presentation from the Caltrans District 7 Deputy District Director of Maintenance, Debbie Wong, to the City Council on Caltrans' plans to improve the state, maintenance, and beautification of the highways running through Compton for the first time in 25 years.
- Assisted the City in working collaboratively with the Department of Finance to protect nearly \$5.5 million in the City's Sales & Use Tax from being withheld in order to meet an outstanding payment that became apparent during a due diligence review of the City's Low and Moderate Income Housing Fund.

#7.

- Secured a commitment from the Department of Finance to work collaboratively with the City to remove obstacles that are preventing the completion of the Renaissance Plaza project, which has an economic impact to the City of \$3 million.
- Facilitated and assisted the City in applying for and winning a \$250,000 California Gang Resistance and Education Training Program grant, helping to make the City a safer place to live for its residents and children.

STATEMENT OF THE ISSUE

In July 2013, Strategic Counsel met with the Mayor and City Council to review advocacy results to develop a comprehensive legislative platform (Attachment A). The Mayor and Council have indicated their priorities to remain essentially the same in the upcoming legislative session. In order for the City to accomplish its mission, the unique expertise of Strategic Counsel is vital to ensuring that the City's legislative platform and local interests are continually communicated to local and state legislative delegations. Given this importance, it is in the best interest of the City to continue to employ the expert services of Strategic Counsel to provide state legislative and advocacy services for Fiscal Year 2014-2015.

FISCAL IMPACT

The total cost for a professional services contract with Strategic Counsel will be \$9,000 per month and shall not exceed \$108,000 for Fiscal Year 2014-2015, commencing July 1, 2014 and terminating June 30, 2015. This annual rate has been consistent since 2007, when the City began contracting with Strategic Counsel.

Funds have been allocated in the Fiscal Year 2014-2015 budget in account 1001-510-000-4218.

RECOMMENDATION

Staff recommends that the Mayor and Council adopt the attached resolution.

G. HAROLD DUFFEY
CITY MANAGER

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
AUTHORIZING THE CITY MANAGER TO RENEW THE PROFESSIONAL
SERVICES CONTRACT WITH STRATEGIC COUNSEL PLC FOR STATE
LEGISLATIVE AND ADVOCACY SERVICES FOR FISCAL YEAR 2014-2015.**

WHEREAS, the City Council has determined that it is necessary to retain legislative and advocacy services designed to enhance the City of Compton's ability to achieve its objectives and to help the City shape policies at the state level; and;

WHEREAS, Strategic Counsel, a fully qualified legislative firm, currently provides legislative and advocacy services and evaluates policy issues for the City of Compton; and;

WHEREAS, Strategic Counsel is a firm that understands the City's needs, goals, and shares its passion for success; and;

WHEREAS, Strategic Counsel serves as the City's principal advisor on state level public policy, legislative and economic development policies, and coordinates with the City Administration and City Council Members, and;

WHEREAS, Strategic Counsel led and organized the effort, involving eleven other Los Angeles area cities, to protect Compton's voter-approved pension tax, valued at \$7 million annually; and;

WHEREAS, Strategic Counsel secured a personal presentation from the Caltrans District 7 Deputy District Director of Maintenance, Debbie Wong, to the City Council on Caltrans' plans to improve the state, maintenance, and beautification of the highways running through Compton for the first time in 25 years; and;

WHEREAS, Strategic Counsel assisted the City in working collaboratively with the Department of Finance to protect nearly \$5.5 million in the City's Sales & Use Tax from being withheld in order to meet an outstanding payment that became apparent during a due diligence review of the City's Low and Moderate Income Housing Fund.; and;

WHEREAS, Strategic Counsel secured a commitment from the Department of Finance to work collaboratively with the City to remove obstacles that are preventing the completion of the Renaissance Plaza project, which has an economic impact to the City of \$3 million; and;

WHEREAS, Strategic Counsel Facilitated and assisted the City in applying for and winning a \$250,000 California Gang Resistance and Education Training Program grant, helping to make the City a safer place to live for its residents and children; and;

WHEREAS, the dynamic of the State Legislature continues to change, Strategic Counsel provides the City a unique advantage in familiarizing Members with the City's unique needs and interests; and;

WHEREAS, Strategic Counsel has also represented the City's interests on issues including redevelopment, land use, local finance, property taxes, and local powers and as such requests to continue as the City of Compton's state legislative representative; and;

WHEREAS, funds for the renewal of said agreement are available in the Fiscal Year 2014-2015 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 extend a professional services contract with Strategic Counsel PLC for legislative and advocacy services during Fiscal Year 2014-2015 for an amount not to exceed \$108,000 at a rate of \$9,000 per month, commencing July 1, 2014 and terminating June 30, 2015.

SECTION 2. That funds are allocated in account 1001-510-000-4218.

SECTION 3. That certified copies of this resolution shall be filed in the offices of the City Controller, City Clerk, City Manager, and the City Attorney.

SECTION 4. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this ____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

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

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 the regular meeting thereof held on the ____ day of _____, 2014.

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

RESOLUTION SIGN-OFF FORM

DEPARTMENT: City Management

RESOLUTION TITLE: A RESOLUTION OF THE COMPTON CITY COUNCIL TO AUTHORIZE THE CITY MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT WITH STRATEGIC COUNSEL PLC FOR ADVOCACY AND CONSULTING SERVICES RELATING TO CALIFORNIA STATE GOVERNMENT.

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
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City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: GLEN W.C. KAU, DIRECTOR OF PUBLIC WORKS /MUNICIPAL UTILITIES

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACCEPTING THE CONSTRUCTION OF THE WILLIAMS ALLEY PAVING PROJECT (CIP# 09-09) PERFORMED BY SIALIC CONTRACTORS CORPORATION DBA SHAWNAN , SANCTION STAFF TO FILE THE NOTICE OF COMPLETION WITH THE LOS ANGELES COUNTY RECORDER'S OFFICE, AND AUTHORIZE THE RELEASE OF THE CONTRACTOR'S RETENTION

SUMMARY

It is recommended that the City Council accepts the construction as complete for the Williams Alley Paving Project (CIP# 09-09) performed by Sialic Contractors Corporation dba Shawnan, and authorize staff to:

- a) File the Notice of Completion with the Los Angeles County Recorder's Office
- b) Authorize the release of the contractor's retention

BACKGROUND

Resolution No. 23,854, authorized a contract with Sialic Contractors Corporation dba Shawnan for the Williams Alley Paving Project for Two Hundred Sixty Six Thousand Two Hundred Dollars (\$266,200). Additionally, a contingency of up to \$24,500 was also included.

The Williams Alley Paving Project (CIP# 09-09) consisted of an existing unimproved alley located between McMillan Street on the North, Rosecrans Avenue on the South, Williams Avenue on the West, and Gibson Avenue on the East. Williams is an unimproved alley and had created a public nuisance and maintenance problems for area residents.

STATEMENT OF THE ISSUE

While the project was being conducted, in accordance with California Public Contracts Law and City practice, a retention amount equivalent to 5% was withheld from progress payments to insure satisfactory project completion.

All of the work on the project has been completed in a satisfactory manner. Accordingly, staff recommends that the City Council accepts the project as complete, authorize staff to file the Notice of Completion with the Los Angeles County Recorder's Office, and authorize the release of the contractor's retention.

#8.

Williams Alley Project
July 22, 2014
Page Two

ALTERNATIVES

There are no alternatives. The contractor has fulfilled its contractual obligations according to the plans and specifications outlined in the bid proposal.

FINANCIAL IMPACT

There is no financial impact connected with release of the retention. Retention funds are held in an escrow account.

RECOMMENDATION

Staff recommends the adoption of the attached Resolution.

GLEN W.C. KAU, P.E.
DIRECTOR OF PUBLIC WORKS/MUNICIPAL UTILITIES

APPROVED FOR FORWARDING

G. HAROLD DUFFEY
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACCEPTING THE CONSTRUCTION OF THE WILLIAMS ALLEY PAVING PROJECT (CIP# 09-09) PERFORMED BY SIALIC CONTRACTORS CORPORATION DBA SHAWNAN , SANCTION STAFF TO FILE THE NOTICE OF COMPLETION WITH THE LOS ANGELES COUNTY RECORDER’S OFFICE, AND AUTHORIZE THE RELEASE OF THE CONTRACTOR’S RETENTION

WHEREAS, on October 22, 2013, Resolution No. 23,854 authorized a contract with Sialic Contractors Corporation dba Shawnan for the construction of the Williams Alley Paving Project (CIP# 09-09) in the amount of Two Hundred Sixty Six Thousand Two Hundred Dollars (\$266,200); and

WHEREAS, there was contingency authorized in the amount of up to \$24,500; and

WHEREAS, while the project was being conducted, in accordance with California Public Contracts Law, a retention amount equivalent to 5% was withheld from progress payments to ensure satisfactory completion; and

WHEREAS, the project has been completed in satisfactory manner at a final construction cost of \$266,200 which is within the amount authorized, and should be formally accepted.

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

SECTION 1. That the City Council of the City of Compton accepts the completion of the Williams Alley Paving Project (CIP# 09-09), and authorizes staff to file a Notice of Completion with the County of Los Angeles Recorder’s Office and release the contractor’s retention.

SECTION 2. That certified copies of this resolution shall be filed in the offices of the City Manager, City Controller, City Clerk and Public Works/Municipal Utilities Department.

SECTION 3. That the Mayor shall sign and the City Clerk shall attest of this resolution.

ADOPTED this _____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

RESOLUTION NO. _____
PAGE 2

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON

I, Alita Goodwin, 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 _____, 2014.

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

AYES: COUNCIL MEMBER (S)
NOES: COUNCIL MEMBER (S)
ABSENT: COUNCIL MEMBER (S)
ABSTAIN: COUNCIL MEMBER (S)

CITY CLERK OF THE CITY OF COMPTON

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Public Works-Engineering

RESOLUTION TITLE: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACCEPTING THE CONSTRUCTION OF THE WILLIAMS ALLEY PAVING PROJECT (CIP# 09-09) PERFORMED BY SIALIC CONTRACTORS CORPORATION DBA SHAWNAN , SANCTION STAFF TO FILE THE NOTICE OF COMPLETION WITH THE LOS ANGELES COUNTY RECORDER’S OFFICE, AND AUTHORIZE THE RELEASE OF THE CONTRACTOR’S RETENTION

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: MAYOR AND COUNCIL MEMBERS

**FROM: RENEA FERRELL, GRANTS MANAGER
CITY MANAGER'S OFFICE**

**SUBJECT: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
ACCEPTING THE LOS ANGELES COUNTY REGIONAL PARK AND
OPEN SPACE DISTRICT GRANT IN THE AMOUNT OF \$300,000 FOR
THE ACQUISITION OF COMPTON CAMP FIRE PARK LAND**

SUMMARY

This resolution authorizes the City of Compton to accept the Los Angeles County Regional Park and Open Space District Grant Funds in the amount of Three Hundred Thousand (\$300,000.00) for the acquisition of Compton Camp Fire Park Land located at 450 W. Raymond Street, Compton, California.

BACKGROUND

Unfortunately, the Compton Camp Fire Program was discontinued in the City of Compton; as a result, the Camp Fire site was sold. Once the City became aware of the situation, they offered to purchase the land. The final purchase price was set at \$650,000. The Los Angeles County Regional Park and Open Space District was able to provide financial support through a \$300,000 grant to aide in the acquisition cost. The remaining balance will be covered under the Public Works, Lighting and Landscaping Fund.

In spring of 2013, the City of Compton submitted its application for \$300,000 to assist with acquisition costs. In June 2014, the City's grant proposal was approved and provided with an executed agreement to preserve historic recreational land use in the City of Compton. The City submitted an initial payment of \$25,000 to escrow. The remaining \$625,000 payment will be provided once all funds have been secured.

STATEMENT OF ISSUE

As a part of the grant requirements, the City must provide a resolution approving the acceptance of the grant funds.

ALTERNATIVE

The City can choose not to accept the grant. As a result, the City would have to select another source of funding such as General Funds to cover the cost of the acquisition.

FISCAL IMPACT

This resolution will have no impact on the General Fund. The cost of the acquisition will be paid from a combination of accounts in the City's Manager's and Public Works budget. The FY 2014-2015 budget will be amended as follows:

Increase Revenue

<u>Account No.</u>	<u>Account Description</u>	<u>Amount</u>
2680-000-000-3579	Revenue	\$300,000.00

Increase Expenditure

<u>Account No.</u>	<u>Account Description</u>	<u>Amount</u>
2680-510-000-4249	Special Department Expense	\$300,000.00

RECOMMENDATIONS

Staff recommends that the Mayor and Council Members accept the Grant from the Los Angeles County Regional Park and Open Space District - for the acquisition of Compton Camp Fire Site located at 450 W. Raymond Street and appropriate the funds in the current year budget.

RENEA FERRELL, GRANTS MANAGER
CITY MANAGER'S OFFICE

APPROVED FOR FORWARDING
G. HAROLD DUFFEY
CITY MANAGER

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
ACCEPTING THE LOS ANGELES COUNTY REGIONAL PARK AND OPEN
SPACE DISTRICT GRANT IN THE AMOUNT OF \$300,000 FOR THE
ACQUISITION OF COMPTON CAMP FIRE PARK LAND

WHEREAS, in Spring of 2014, the Grants Division applied for funding from the Los Angeles County Regional Park and Open Space District for the acquisition of Compton Camp Fire Park Land- 450 W. Raymond St.; and

WHEREAS, in June 2014, the Los Angeles County Board of Supervisors approved the City of Compton’s award of \$300,000 from the Los Angeles County Regional Park and Open Space District Grant Funding; and

WHEREAS, the City Manager’s Office will use the funds to cover acquisition costs for the Compton Camp Fire Park Land; and

WHEREAS, the City Manager’s Office Budget must be amended to appropriate the funds.

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

Section 1. That the City Council shall accept the \$300,000 grant from the Los Angeles County Regional Park and Open Space District.

Section 2. That the FY 2014-2015 Annual Budget shall be amended as follows:

Increase Revenue		
<u>Account No.</u>	<u>Account Description</u>	<u>Amount</u>
2680-000-000-3579	Revenue	\$300,000.00
Increase Expenditure		
<u>Account No.</u>	<u>Account Description</u>	<u>Amount</u>
2680-510-000-4249	Special Department Expense	\$300,000.00

Section 3. That a certified copy of this resolution shall be filed in the offices of the City Clerk, City Manager, City Attorney, and City Controller.

Section 4. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

RESOLUTION NO. _____
Page 2 of 2

ADOPTED this _____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON:

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 the regular meeting thereof held on the _____ day of _____, 2014.

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

RESOLUTION SIGN-OFF FORM

DEPARTMENT: City Management

RESOLUTION TITLE: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACCEPTING THE LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT GRANT IN THE AMOUNT OF \$300,000 FOR THE ACQUISITION OF COMPTON CAMP FIRE PARK LAND

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: MAYOR AND CITY COUNCIL MEMEBERS

FROM: CITY MANAGER

**SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
COMPTON ADOPTING A GENERAL FUND CONTINGENCY
RESERVE POLICY**

SUMMARY

The City Council will consider adopting a policy to establish a General Fund contingency reserve balance of ten percent (10%) of General Fund expenditures. A reserve Fund Balance Policy will assist the City Council in administering such a reserve fund by guiding decisions about how money will be set aside in the reserve fund and the circumstances under which money in the fund will be spend. This policy provides that the City Council will fund the contingency reserve through the budget process and sets specific conditions for making expenditures from the contingency reserve fund. The policy provides that the City will only use the reserve fund to alleviate unanticipated short-term budgetary issues such as revenue shortfalls or unforeseen expenses.

BACKGROUND

Most municipal finance experts agree that a city should maintain financial reserves to protect against unforeseen economic events: economic downturns, unanticipated expenditures, natural disasters, and other financial occurrences. Because it is the City Council's responsibility to provide for the continuation of essential services in the event of a fiscal or natural disaster, it is prudent for the City of Compton to establish a Financial Reserve Policy for the General Fund, which is the most unrestricted fund, and funds most City operations. Sensible financial management suggests that cities establish fund balance reserve policies to allow service continuity in the face of:

- Cash flow fluctuations
- Exposure to economic downturn impacts
- Unforeseen litigation costs
- Vulnerability to the actions of the state or federal government
- Exposure to natural disasters

Municipal bond rating agencies also advocate a Fund Balance Policy which, in turn, is

#10.

considered one of six critical components of a strong financial management system. Fund balance policies provide one of the best guarantees to bondholders that sufficient levels of fund balance will be maintained, regardless of economic cycles, cash crunches, or administrative turn-over.

STATEMENT OF THE ISSUE

For nearly two years, the City Manager has included in all budget messages to the City Council a discussion of benchmark definitions used to measure the financial well being of the City's budget. Those benchmarks are:

- **Healthy:** Revenues exceed expenditures and continue to show growth, year over year, and the city maintains 15% of the General Fund budget in a reserves – rainy day fund.
- **Sustainable:** Revenues exceed expenditures and the city maintains a 10-15% reserves rainy day fund.
- **Vulnerable:** Revenues exceed expenditures and the city maintains a less than 10% reserves-rainy day fund.
- **Unsustainable/Insolvent:** Revenues less than expenditures.

At the budget hearings held prior to the adoption of the FY 2014-15 budget, the City Council indicated an intent to adopt a Budget Reserve Policy, and directed staff to return with such a policy.

The overall goal of the City Council should be to provide policies directing staff towards achieving a sustainable budget and financial status that plan for future liabilities. Historically, as a result of stagnant revenues and deficit spending, the City's budget has often been insolvent, far below the desired level of a healthy government. The past two fiscal years have seen the City conclude the budget cycles with positive fund balances, and the current year is projected to conclude with a balanced budget.

Staff is recommending that the City Council set a goal of a contingency reserve of ten percent (10%) of the General Fund budget, which would amount currently to approximately \$5.3M. It is estimated that the City is entering the current fiscal year with a fund balance of approximately \$3.0M. If the policy is adopted, the City's financial team could be directed to establish a contingency reserve fund, to be guided by the Council adopted policy, with the current fund balance placed in that fund. The City Manager would also be directed to include in the FY 2015-16 budget a reserve allocation intended to bring the reserve to the 10% level.

FISCAL IMPACT

It is estimated that the City is entering the current fiscal year with a fund balance of approximately \$3.0M. Implementation of this policy would require the City to develop and maintain a reserve balance of approximately \$5.3M in the upcoming years. The reserve fund would be funded through the budget process, just as would any aspect of the City government operations. This could require a General Fund allocation of \$2-5M of revenues in the next fiscal year.

The policy also sets guidelines for making expenditures from the fund and for reviewing and abolishing the reserve policy. The contingency reserve fund is established for the purpose of covering unanticipated revenue shortfalls and paying non-recurring and unanticipated expenditures of the City. To that end, the City Council would only authorize the use of the contingency reserve fund to alleviate unanticipated short-term budgetary issues such as revenue shortfalls or unforeseen expenses.

Adoption of a written Fund Balance Policy also serves to enhance somewhat the City's standing with bond rating agencies and, in concert with other critical management components could yield improved ratings and more favorable debt terms.

RECOMMENDATION

Staff recommends that the Mayor and City Council adopt the attached resolution and policy.

**G. HAROLD DUFFEY
CITY MANAGER**

RESOLUTION NO. _____**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING
A GENERAL FUND CONTINGENCY RESERVE POLICY.**

WHEREAS, Most municipal finance experts agree that a city should maintain financial reserves to protect against unforeseen economic events: economic downturns, unanticipated expenditures, natural disasters, and other financial occurrences, and;

WHEREAS, Because it is the City Council's responsibility to provide for the continuation of essential services in the event of a fiscal or natural disaster, it is prudent for the City of Compton to establish a Financial Reserve Policy for the General Fund, which is the most unrestricted fund, and funds most City operations, and;

WHEREAS, For nearly two years, the City Manager has included in all budget messages to the City Council a discussion of benchmark definitions used to measure the financial well being of the City's budget, and;

WHEREAS, At the budget hearings held prior to the adoption of the FY 2014-15 budget, the City Council indicated an intent to adopt a budget reserve policy, and directed staff to return with such a policy, and;

WHEREAS, Historically, as a result of stagnant revenues and deficit spending, the City's budget has often been insolvent, far below the desired level of a healthy government, and;

WHEREAS, The past two fiscal years have seen the City conclude the budget cycles with positive fund balances, and the current year is projected to conclude with a balanced budget, and;

WHEREAS, Implementation of this policy would require that City to develop and maintain a reserve balance of approximately \$5M in the upcoming years, and;

WHEREAS, The reserve fund would be funded through the budget process, just as would any aspect of the City government, and;

WHEREAS, Adoption of a written Fund Balance Policy also serves to enhance somewhat the City's standing with bond rating agencies and, in concert with other critical management components could yield improved ratings and more favorable debt terms, and;

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

SECTION 1. That a contingency reserve fund is established for the purpose of covering unanticipated revenue shortfalls and paying non-recurring and unanticipated expenditures of the City.

SECTION 2. That the City Council will set a contingency reserve goal of ten percent (10%) of the General Fund budget, and;

SECTION 3. That the City Manager is directed to include in the FY 2015-16 budget a reserve allocation intended to bring the reserve to the 10% level, and;

SECTION 4. That in each budget year hereafter, the City Manager shall make recommendations, as part of the annual budget, to allocate funds to the reserve as needed to assure the funds are maintained at the appropriate level, and;

SECTION 5. That the Council shall review this reserve policy annually, as part of the budget review and adoption process, and;

SECTION 6. That nothing in this policy shall preclude the Council from allocating funds to the reserve in excess of the 10% goal, and;

SECTION 7. That a certified copy of this Resolution shall be filed in the offices of the City Clerk, City Manager, City Attorney, City Controller, and;

SECTION 8. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this ____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

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

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 the regular meeting thereof held on the ____ day of _____, 2014.

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

City of Compton

General Fund Contingency Reserve Policy

PURPOSE: The City Council of the City of Compton has determined that sound financial management requires that sufficient funds be maintained by the City for unanticipated expenditures and revenue shortfalls during the course of the fiscal year as may be caused by economic downturns, natural disasters, and other unforeseen circumstances. Maintaining such funds will help sustain the delivery of essential services and reduce the need for short-term borrowing or deficit spending.

OBJECTIVE: The Council's objective is for adequate funds to be set aside in a contingency reserve fund in a planned and consistent manner and for these monies not to be spent for regular City expenditures or used to reduce existing taxes, fees, or assessments.

RESERVE FUND EXPENDITURES: The contingency reserve fund is established for the purpose of covering unanticipated revenue shortfalls and paying non-recurring and unanticipated expenditures of the City. To that end, the Council will only authorize the use of the contingency reserve fund to alleviate unanticipated short-term budgetary issues such as revenue shortfalls or unforeseen expenses. Any expenditure of the reserve fund for such purposes shall require the votes of four members of the Body at a duly noticed, regular meeting of the Council.

RESERVE FUND APPROPRIATIONS: To assure the sustainability of the City's budget, the Council shall establish a minimum contingency reserve fund goal of 10% of General Fund expenditures. The funding of the contingency reserve shall take place as an integral portion of the annual budget process. The City Manager, in submitting a proposed annual budget, shall include an amount to be added to the contingency reserve to bring the reserve to the 10% level by the fiscal year 2016. In each budget year thereafter, the City Manager shall make recommendations, as part of the annual budget, to allocate funds to the reserve as needed to assure it is maintained at the appropriate level.

REVIEW: The Council shall review this reserve policy annually, as part of the budget review and adoption process. However, the minimum reserve goal of 10% shall not be lowered, nor this policy abolished, without a vote of four members of the elected Body at a duly noticed, regularly scheduled meeting of the Council. Nothing in this policy shall preclude the Council from allocating funds to the reserve in excess of the 10% goal.

RESOLUTION SIGN-OFF FORM

DEPARTMENT: City Management

RESOLUTION TITLE: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ADOPTING A GENERAL FUND CONTINGENCY RESERVE POLICY

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: **A RESOLUTION OF THE COUNCIL OF THE CITY OF COMPTON, CALIFORNIA AUTHORIZING THE ISSUANCE AND SALE OF TAX AND REVENUE ANTICIPATION NOTES FOR FISCAL YEAR 2014-15 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$12,500,000**

SUMMARY

The Resolution authorizes the City to issue and sell 2014-15 Tax and Revenue Anticipation Notes, Series A (the “Notes”) pursuant to Section 53850 et. seq. of the Government Code of the State of California. The Resolution sets forth the parameters of the Notes issuance including among other things, a principal amount not to exceed \$12,500,000, a maximum maturity date of June 1, 2015, and an interest rate not to exceed four percent (4%) per annum and a maximum original issue discount of 2%. Pursuant to the Resolution, the City Council (the “Council”) approves the preparation and the execution of the Notes, the Trust Agreement, the Accompanying Document, the Direction Letter, and the Note Purchase Agreement.

BACKGROUND

Tax and Revenue Anticipation Notes are used by public entities in the State of California to address cash flow concerns through the use of a short-term borrowing. The City expects to sell its Notes on a negotiated basis to IFS Securities, Inc., (the “Purchaser”) in consultation with Comer Capital Group, the financial advisor and Gonzalez Saggio & Harlan LLP, bond counsel to the City. The Purchaser will execute an investment letter covering the status of the Purchaser as an “accredited investor” within the meaning of Rule 501(a) promulgated under the Securities Act of 1933, as amended and setting forth the terms of any subsequent transfer of the Notes (the “Investment Letter”). This transaction involves a security sale and detailed disclosure through a Limited Offering Memorandum. The Notes will be able to be transferred by the Purchaser to another investor only after complying with specific provisions in the Investment Letter.

STATEMENT OF ISSUE

As part of the City’s efforts to ensure that sufficient revenues are available to pay City expenditures when due, City management has considered options and is recommending the Council authorize the issuance of Notes to ensure the availability of funds to address the City’s current liquidity concerns during Fiscal Year 2014-15.

The City will enter into an Accompanying Document which will direct the Trustee to establish the “2014-15 TRANs Proceeds Fund” to which the net proceeds of the sale of the Notes will be transferred and deposited. The City Manager will make disbursements from the 2014-15 TRANs

#11.

Staff Report Re Resolution Regarding Tax and Revenue Anticipation Note
July 22, 2014

Proceeds Fund when funds are needed to pay current Fiscal Year 2014-15 expenditures. Amounts in the 2014-15 TRAns Proceeds Fund will be invested in Permitted Investments (defined therein) so as to be available for the aforementioned disbursements.

In order to secure the repayment of the Notes, the City will execute a Direction Letter to the County of Los Angeles (the "County"). In accordance with the Direction Letter from the City to the County, the County Auditor-Controller is directed to transfer revenues relating to Vehicle License Fees, Sales and Use Tax and Property Tax – 1% of City of Compton TD#1 (Account #132.01) (collectively, the "County Collected Revenues") collected by the County of Los Angeles, on behalf of the City, to the Trustee for deposit in the 2014-15 TRAns Repayment Fund. The Trustee will apply all such proceeds to interest outstanding and principal of the Notes at maturity.

A Limited Offering Memorandum has been prepared to assist in the marketing and sale of the Notes. The Notes are not subject to redemption prior to maturity.

FISCAL IMPACT

The Resolution permits the City to issue a Tax and Revenue Anticipation Note in a principal amount not to exceed \$12,500,000. The Tax and Revenue Anticipation Note would be a general obligation of the City and would be secured by all taxes, income, revenues, cash receipts and other moneys of the City received or accrued by the City during Fiscal Year 2014-15 that are lawfully available for payment of the 2014-15 TRAns and the interest thereon (collectively, the "Unrestricted Revenues"). The City will pledge Unrestricted Revenues toward repayment of the Tax and Revenue Anticipation Note and will direct the County to transfer the County Collected Revenues to a Repayment Fund held by the Trustee rather than to the City's General Fund until such time as the Repayment Amount is accumulated in the Repayment Fund. Funds in the Repayment Fund will fund the outstanding interest and principal due at maturity of the Notes. However, in the event insufficient money from the County Collected Revenues is collected to pay principal of and interest on the Notes, the City would be obligated to pay the Notes from any Unrestricted Revenues. The City's Financial Advisor currently projects that the amount needed to repay the principal of and interest on the Note will be a maximum amount of \$13,000,000 based on an assumed interest rate of no more than 4% per annum. The closing date is expected to be on or about July 29, 2014 and maturity of June 1, 2015. This amount also recognizes that the City will not be able to prepay any principal and interest.

RECOMMENDATION

Staff recommends that the City Council adopt the attached Resolution.

G. HAROLD DUFFEY
CITY MANAGER

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE ISSUANCE AND SALE OF TAX AND REVENUE ANTICIPATION NOTES FOR FISCAL YEAR 2014-15 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$12,500,000

WHEREAS, the City of Compton (the “City”), a municipal corporation and chartered city of the State of California, requires funds for the purposes authorized by Section 53852 of the California Government Code; and

WHEREAS, the City is authorized to borrow money pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended, and Charter of the City of Compton (as amended, the “City Charter”) Section 1403 (collectively, the “Authorizing Law”), for the purposes authorized by California Government Code Section 53852 and the City Charter, respectively, such indebtedness to be represented by a note or notes of the City; and

WHEREAS, pursuant to the Authorizing Law, such notes are to be issued pursuant to a resolution of the City Council of the City (the “City Council”) and may be issued from time to time as provided in such resolution; and

WHEREAS, the City has determined that it is necessary and in the best interests of the City to authorize the borrowing of an amount not to exceed \$12,500,000 with respect to the City’s Fiscal Year 2014-15 such indebtedness to be evidenced by the 2014-15 Tax and Revenue Anticipation Notes, Series A authorized and described herein (the “2014-15 TRAns”) in an aggregate principal amount not to exceed the sum described above; and

WHEREAS, the 2014-15 TRAns, together with the interest payable thereon, will not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the City which will be available for the payment of the 2014-15 TRAns or other indebtedness and the interest thereon subject to the Authorizing Law.

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

SECTION 1. That this Resolution (the “Resolution”) is adopted pursuant to the provisions of the Authorizing Law and other applicable laws.

SECTION 2. That the 2014-15 TRAns are hereby authorized to be issued, which notes shall mature on or before June 1, 2015 in an aggregate principal amount not to exceed the lesser of \$12,500,000 or the amount authorized to be issued pursuant to the Authorizing Law, as certified by the City Manager or his designee (the “City Manager”), and pursuant to the Accompanying Document for the 2014-15 TRAns (the “Accompanying Document”) and as further approved by the City Manager, his execution of the Accompanying Document to be conclusive evidence thereof. The 2014-15 TRAns shall be issued as provided in the Accompanying Document. The form of Accompanying Document presented at this meeting shall be completed and executed in accordance with this Resolution, such instrument is by this reference incorporated herein and hereby approved. The City Manager is hereby authorized for and in the name of, and on behalf of, the City, to execute and deliver said Accompanying Document, substantially in the form on file with the City Clerk, with such changes therein as may be necessary or desirable or as he may approve, in his sole discretion, as being in the best interests of the City, such approval to be evidenced conclusively by the execution and delivery thereof. The City Manager is empowered to implement this Resolution in a manner determined by the City Manager to be necessary or desirable and in the best interests of the City. Without limiting the foregoing, the City Manger, subject to Section 5 hereof, may determine the maturity date and amount for the 2014-15 TRAns, and the City Manager is hereby authorized to make conforming changes reflecting such maturity and amount to each of the documents approved by this Resolution, including changes to the date and amounts to be set aside hereunder and under the Accompanying Document prior to the end of the fiscal year as the City Manager determines are necessary or appropriate. The terms and conditions as set forth (or incorporated by reference) in the Accompanying Document, together with the terms and conditions of the 2014-15 TRAns set forth in this Resolution, together with any authorized and approved supplements and amendments thereto, if any, shall,

upon the execution and delivery of the Accompanying Document, be the terms and conditions of such 2014-15 TRAns, as if all such terms and conditions were fully set forth in this Resolution.

SECTION 3. That in consideration of the purchase and acceptance of the 2014-15 TRAns authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the City and the owners from time to time of the 2014-15 TRAns. The pledge made in, and the covenants and agreements to be performed by and on behalf of the City set forth in, this Resolution, in any resolution supplemental hereto, or in the Accompanying Document with respect to the 2014-15 TRAns shall be for the benefit, protection and security of the owners of the 2014-15 TRAns.

SECTION 4. That the 2014-15 TRAns shall not be subject to redemption prior to maturity.

SECTION 5. That the City Manager, for and on behalf of the City, is hereby authorized to sell the 2014-15 TRAns on a negotiated basis to IFS Securities, Inc. (the "Underwriter"), in consultation with Comer Capital Group, LLC, the City's Financial Advisor, with respect to the 2014-15 TRAns, pursuant to the terms, conditions and procedures set forth in the Accompanying Document and in the Note Purchase Agreement between the City and the Underwriter (the "Note Purchase Agreement"); provided that the 2014-15 TRAns shall (1) mature not later than June 1, 2015 and (2) bear interest at the rate established prior to delivery of the 2014-15 TRAns pursuant to the Note Purchase Agreement, in no event to exceed a rate of interest of four percent (4%) per annum and an original issue discount of 2%. The form of the Note Purchase Agreement, with such additions thereto and changes therein as are consistent with this Section and as he, or his designee, deems necessary and appropriate is hereby authorized.

SECTION 6. That the City Council hereby approves the Preliminary Limited Offering Memorandum (the "Preliminary Limited Offering Memorandum") describing the 2014-15 TRAns in substantially the form presented at this meeting, together with such additions thereto and changes therein as are determined necessary or desirable by the City Manager and with the approval as to form of the City Attorney, including but not limited to such changes as are deemed necessary or desirable by the City Attorney. The City Manager is hereby authorized and directed to approve any changes in or additions to the Preliminary Offering Memorandum that are determined to be necessary or desirable to cause such Preliminary Limited Offering Memorandum to be put in final form and to make such final Limited Offering Memorandum complete and accurate as of its date, and to execute said final Limited Offering Memorandum for and in the name and on behalf of the City.

SECTION 7. That the engagement of the U.S. Bank National Association (the "Trustee") to provide trustee services for the 2014-15 TRAns is hereby approved pursuant to the form of the Trust Agreement (the "Trust Agreement") presented at this meeting and the City Manager is hereby authorized to execute the Trust Agreement, with such additions thereto and changes therein as he, or his designee, deem necessary and appropriate to be executed by the City Manager, subject to the approval of the City Attorney.

SECTION 8. That as provided in the Authorizing Law, the 2014-15 TRAns shall be general obligations of the City, payable from all legally available sources, including Unrestricted Revenues and County Collected Revenues (as both of those terms are defined in the Accompanying Document). The Trustee shall establish a 2014-15 TRAns Repayment Fund (the "Repayment Fund") and any additional subaccounts therein to the extent provided in the Accompanying Document. The City shall cause to be deposited in the Repayment Fund all County Collected Revenues allocated or attributable to the City until the amounts deposited and held in the Repayment Fund, from any source, shall equal the total principal of and interest due on the 2014-15 TRAns as set forth in the Accompanying Document. The City does hereby grant a security interest in, convey, bargain, pledge, transfer and assign unto the Trustee, as security for the City's obligations under the 2014-15 TRAns, the Accompanying Document and the Trust Agreement, all of the City's right, title, and interest in and to the County Collected Revenues and Unrestricted Revenues, and the City further authorizes the Trustee to take any and all actions necessary or desirable to perfect the security interest granted hereby in the County Collected Revenues and Unrestricted Revenues pursuant to applicable law.

SECTION 9. To the extent that on the day immediately preceding the maturity date of the 2014-15 TRANs the total amount of County Collected Revenues deposited by the City into the Repayment Fund are less than the principal of and interest due on the 2014-15 TRANs as set forth in the Accompanying Document, the City shall deposit or cause to be deposited into the Repayment Fund additional amounts as needed from any other moneys of the City lawfully available therefore, including, but not limited to Unrestricted Revenues. As provided in the Authorizing Law, the 2014-15 TRANs, and the interest thereon, are a first lien and charge against, and are payable from all moneys received by the City from such Unrestricted Revenues. The County Collected Revenues shall be invested by the Trustee only in Permitted Investments (as defined in the Accompanying Document), shall be used to pay the principal of the 2014-15 TRANs and the interest thereon when the same shall become due and payable, and may not be used for any other purpose, except as provided herein. Any amounts remaining in the Repayment Fund after repayment of all principal of the 2014-15 TRANs, and the interest thereon, shall be the sole and exclusive property of the City, shall not be subject to any claims by the Trustee, or on behalf of any holder of 2014-15 TRANs, and shall be transferred to any account of the City as the City Manager may appropriately direct.

SECTION 10. That the City Manager, or any designee thereof, is authorized to execute and deliver a Tax Certificate (as defined in the Accompanying Document) obligating the City to comply with certain covenants in order to maintain the exclusion of interest on the 2014-15 TRANs from the gross income of the owners thereof for federal income tax purposes.

SECTION 11. That the Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) by and between the City and U.S. Bank National Association, as dissemination agent thereunder, is hereby authorized. The City Manager is hereby authorized and empowered to execute and deliver the Continuing Disclosure Agreement. The Continuing Disclosure Agreement must be in form and substance satisfactory to the City Manager and City Attorney and the execution of the Continuing Disclosure Agreement by such City Manager shall be conclusive evidence of such approval.

SECTION 12. That the form of the Direction Letter (the “Direction Letter”) from the City to the County of Los Angeles, presented at this meeting is hereby approved and the City Manager is hereby authorized to execute the Direction Letter, with such additions thereto and changes therein as he, or his designee, deems necessary and appropriate.

SECTION 13. That the City Manager, or any designee thereof, is authorized to execute, acknowledge and deliver a G37 Letter (the “G37 Letter”) regarding certain disclosures by the Underwriter relating to the 2014-15 TRANs, as required by the Municipal Securities Rulemaking Board and the execution of the G37 Letter by such City Manager shall be conclusive evidence of such approval.

SECTION 14. That the City Manager, or any designee thereof, is authorized to execute and deliver an Independent Registered Municipal Advisor Exemption Certificate (the “Municipal Advisor Exemption Certificate”) regarding the Underwriter’s qualification for the independent registered municipal advisor exemption provided for by the U.S. Securities and Exchange Commission and the execution of the Municipal Advisor Exemption Certificate shall be conclusive evidence of such approval.

SECTION 15. That the Authorized Officers of the City are hereby authorized and directed to pay all the fees and other costs of issuance of the 2014-15 TRANs in accordance with the Note Purchase Agreement and as otherwise agreed in writing with the City and the respective parties thereto.

SECTION 16. That the City Manager, the City Treasurer, the Controller and the City Clerk, and their designees (each, an “Authorized Officer”), upon advice of the City Attorney and Gonzalez Saggio and Harlan LLP, as Bond Counsel and Disclosure Counsel to the City, are hereby authorized and directed, jointly and severally, to do any and all things and to execute, modify and deliver any and all documents, agreements and certificates that they may deem necessary or advisable in order to effect the issuance, sale and delivery of the 2014-15 TRANs, and otherwise to carry out the purposes of this Resolution.

SECTION 17. That the City Attorney is authorized to execute an agreement with Gonzalez Saggio & Harlan LLP to provide bond counsel and disclosure counsel services in connection with the tax exemption and the issuance of the 2014-15 TRAns and that the City Attorney is authorized to initiate a payment to Bell & Washington, counsel to the Underwriter in connection with the issuance of the 2014-15 TRAns.

SECTION 18. That the Authorized Officers and the other officers of the City and their respective authorized representatives are, and each of them acting alone is, hereby authorized to execute any and all documents and to do and perform any and all acts and things, from time to time, consistent with this Resolution and the Accompanying Document and necessary or appropriate to carry the same into effect and to carry out their purposes. The execution of any such documents shall constitute conclusive evidence that the officer or official approved the form and content of the document.

SECTION 19. That copies of this Resolution shall be filed in the offices of the City Clerk, City Manager, City Attorney, City Treasurer and the City Controller.

SECTION 20. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of July, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

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 _____, 2014.

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

ACCOMPANYING DOCUMENT
PROVIDING FOR THE TERMS AND CONDITIONS
OF THE ISSUANCE AND SALE OF
THE CITY OF COMPTON
2014-15 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

Dated as of July 1, 2014

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**ACCOMPANYING DOCUMENT
PROVIDING FOR THE TERMS AND CONDITIONS OF ISSUANCE AND
SALE OF 2014-15 TAX AND REVENUE ANTICIPATION NOTES, SERIES A**

In connection with the issuance and sale of the 2014-15 Tax and Revenue Anticipation Notes issued by the City of Compton, California (the "City"), the City Manager of the City hereby certifies that such 2014-15 Tax and Revenue Anticipation Notes, Series A are issued on the following terms and conditions:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 101. **Definitions.** The following terms shall for all purposes of this Accompanying Document have the following meanings:

"Accredited Investor" shall mean an "accredited investor" within the meaning of Rule 501 (a) promulgated under the Securities Act of 1933, as amended (the "1933_Act").

"Auditor-Controller" shall mean the Auditor-Controller of the County of Los Angeles.

"Authorizing Law" shall mean collectively (1) Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended and (2) Section 1403 of the City Charter.

"Authorized Newspapers" shall mean The Bond Buyer and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in the City of Compton, California and in the Borough of Manhattan, City and State of New York.

"Authorized Officer" shall mean each of the Mayor, the City Manager, the City Treasurer, the Controller and the City Clerk, and their designees.

"Business Day" shall mean any calendar day other than (i) a Saturday or Sunday; (ii) a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in either the State of New York or the State of California; or (iii) a day on which the New York Stock Exchange is closed.

"City" shall mean the City of Compton, California, its successors and assigns.

"City Charter" shall mean the duly enacted Charter of the City, as amended.

"City Clerk" shall mean the duly appointed person performing the duties of the City Clerk, or in the absence or inability of such person to act, any duly appointed deputy City Clerk.

"City Council" shall mean the duly elected or appointed members of the City Council of the City.

"City Manager" shall mean the City Manager of the City and any other person designated by the City Manager to act on his or her behalf.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

"County" shall mean the County of Los Angeles, California.

"County Collected Revenues" shall mean the Vehicle License Fees, Sales and Use Tax and Property Tax — 1% of City of Compton TD#1 (Account #132.01) collected by the County on behalf of the City, attributable to the City's current Fiscal Year, which is July 1, 2014 through June 30, 2015, and shall not include any Unavailable Revenue.

"Direction Letter" shall mean the Direction Letter dated July __, 2014 from the City to the County.

"DTC" shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Event of Default" shall have the meaning assigned to such term in Section 503.

"Federal Securities" shall mean the following securities:

(i) United States Treasury bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest;

(ii) Direct obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority;

(iii) Mortgage backed securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association;

(iv) United States Treasury Obligations, State and Local Government Series;
and

(v) Issues guaranteed as to timely payment of principal and interest by the full faith and credit of the Federal Deposit Insurance Corporation.

"Fitch" shall mean Fitch Ratings, located at One State Street Plaza, New York, New York 10004, a corporation organized and existing under the laws of the State of New York, and its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Moody's or S&P) designated by the City.

"General Fund" shall mean the General Fund of the City.

"Limited Offering Memorandum" shall mean the Limited Offering Memorandum relating to the 2014-15 TRANs, including any approved supplement or amendment thereto.

"Los Angeles County Treasury Pool" shall mean the County Treasury, in which the Treasurer-Tax Collector of the County of Los Angeles has the delegated authority to invest funds.

"Maturity Date" shall mean June 1, 2015 as set forth in Section 203 hereof.

"Moody's" shall mean Moody's Investors Service, located at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, a corporation organized and existing under the laws of the State of Delaware, and its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the City.

"Note Purchase Agreement" shall mean the agreement between the City and the Original Purchaser of the 2014-15 TRANs, together with any amendments thereto.

"Note Register" shall mean the registration books for the 2014-15 TRANs, maintained by the Note Registrar pursuant to Section 302.

"Note Registrar" shall mean U.S. Bank National Association or a substitute or successor Registrar appointed in accordance with this Accompanying Document.

"Opinion of Bond Counsel" shall mean a written opinion of any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions thereof, and duly admitted to practice law before the highest court of any state of the United States of America.

"Original Purchaser" shall mean the Person, or Persons who are the purchaser from the City of the 2014-15 TRANs, upon the issuance thereof.

"Outstanding" when used with reference to the 2014-15 TRANs, shall mean, as of any date, all of the 2014-15 TRANs, issued under this Accompanying Document except:

- (i) 2014-15 TRANs, cancelled on or prior to such date;

(ii) 2014-15 TRANs, for which other 2014-15 TRANs, shall have been delivered in lieu of or in substitution therefor pursuant to Article III hereof; and

(iii) 2014-15 TRANs, referred to in Section 305 hereof

"Owner" shall mean the Person in whose name any 2014-15 TRANs, is registered on the Note Register.

"Participant" shall mean an entity which is recognized as a participant by the Securities Depository in the book-entry system of maintaining records with respect to the 2014-15 TRANs, Series A.

"Permitted Investments" shall mean, to the extent permitted by law:

(i) Federal Securities;

(ii) Commercial Paper having original maturities of not more than the final maturity of the 2014-15 TRANs, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of \$500 million and having an "A" or better rating for the issuer's long-term debt as provided by Moody's, S&P, or Fitch and "P-1", "A-1", "F1" or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively.

(iii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which have short-term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, a long-term debt rating of not less than "A" by a Rating Agency, and a maturity no later than the final maturity of the 2014-15 TRANs, Series A.

(iv) Negotiable or non-negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's, or Fitch.

(v) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association, or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (i) of this definition and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment.

(vi) Shares of beneficial interest issued by diversified management companies, known as money market funds which invest in securities described in (i)—(v) above, registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency.

(vii) Investment Agreements and Guaranteed Investment Contracts: obligations of any institution either (1) the long-term senior unsecured debt or claims-paying ability or financial strength of which, or of any unconditional guarantor of full and timely payment of its obligations thereunder, is rated at least "A-" by S&P or "A3" by Moody's or A-by Fitch, or alternatively, investment agreements and guaranteed investment contracts permitted by California law;

(viii) The Los Angeles County Treasury Pool;

(ix) The Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State.

"Person" shall mean an individual, corporation, firm, association, partnership, trust or other legal entity, including a governmental entity or any agency or political subdivision thereof.

"Principal Office" shall mean (i) with respect to the City Manager, the principal office of the City Manager in Compton, California, and (ii) with respect to the Trustee, the principal corporate trust office of the Trustee in Seattle, Washington, or the principal corporate trust office of any successor Trustee, provided that for purposes of the surrender, transfer, exchange, payment or registration of the 2014-15 TRANs, the term "Principal Corporate Trust Office" shall mean the designated corporate trust office of the Registrar.

"Rating Agency" shall mean Moody's, S&P, Fitch or any other nationally recognized securities rating agency designated by the City.

"2014-15 TRANs Repayment Fund" shall mean the 2014-15 TRANs Repayment Fund created pursuant to this Accompanying Document and caused to be kept by the Trustee for collection and deposit of County Collected Revenue, and other funds so directed for deposit by the City Manager, for the repayment of the 2014-15 TRANs, including amounts held in the 2014-15 TRANs Repayment Fund and invested in Permitted Investments established in accordance with the Resolution and described in Section 402.

"Repayment Amount" shall mean an amount not to exceed \$13,000,000, which amount shall be sufficient to pay principal of and interest on the Notes when due.

"Representation Letter" shall mean one or more letters of representation from the City to, or other instruments or agreements of the City with, a Securities Depository in which the City, among other things, makes certain representations to such Securities Depository with respect to the 2014-15 TRANs, the payment thereof and delivery of notices with respect thereto.

"Resolution" shall mean the "A Resolution of the Council of The City of Compton, California Authorizing the Issuance and Sale of Tax and Revenue Anticipation Notes, Series A for Fiscal Year 2014-15 in an Aggregate Principal Amount not to exceed \$12,500,000," adopted on July ___, 2014 as from time to time amended by any Supplemental Resolution in accordance with the terms hereof.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., located at 55 Water Street, New York, New York 10041, a corporation organized and existing under the laws of the State of New York, and its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Fitch or Moody's) designated by the City.

"Securities Depository" shall mean DTC or any successor as Securities Depository for the 2014-15 TRANs, appointed pursuant to Section 202.

"State" shall mean the State of California.

"Supplemental Document" shall mean any supplemental document amending or supplementing this Accompanying Document in accordance with Article VII.

"Supplemental Resolution" shall mean any resolution amending the Resolution, adopted by the City in accordance with Article VII.

"Tax Certificate" shall mean the Tax Certificate executed by the City on the date of issuance and delivery of the 2014-15 TRANs, as amended from time to time.

"Trust Agreement" shall mean the Trust Agreement dated as of July 1, 2014 by and between the City and the Trustee, together with any authorized amendments thereof or supplements thereto permitted to be made thereunder.

"Trustee" shall mean U.S. Bank National Association a national banking association organized and existing under the laws of the United States of America

"2014-15 TRANs" shall mean all of the City's 2014-15 Tax and Revenue Anticipation Notes, Series A authorized pursuant to the Resolution and issued in accordance with the terms and conditions of this Accompanying Document and the Resolution pursuant to Section 203.

"2014-15 TRANs Proceeds Fund" shall mean the 2014-15 TRANs Proceeds Fund established pursuant to Section 401 hereof.

"2014-15 TRANs Repayment Fund" shall mean the 2014-15 TRANs Repayment Fund established pursuant to Section 402 hereof.

"Underwriter" shall mean IFS Securities, Inc. or any successor thereto.

"Unavailable Revenue" shall mean the revenue described under Section 402 of this Accompanying Document.

"Unrestricted Revenues" shall mean the revenues pledged by the City under the Authorizing Law and pursuant to the Resolution, and described in Section 402, for the security and payment of the 2014-15 TRANs, including the interest thereon in accordance with the provisions herein, whether or not such taxes, income, revenue, cash receipts or other moneys are deposited in the 2014-15 TRANs Repayment Fund and as so described under Section 402 of this Accompanying Document.

"Written Direction" shall mean a written direction from an Authorized Officer.

Section 102. **Other Definitional Provisions.** Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa. Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Unless otherwise indicated, all references herein to "Articles," "Sections" or other subdivisions are to the corresponding Articles, Sections or subdivisions of this Accompanying Document; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Accompanying Document as a whole and not to any particular Article, Section or subdivision hereof.

Section 103. **Authority for Accompanying Document.** This Accompanying Document is executed and delivered pursuant to and in connection with the Resolution.

Section 104. **Timing of Actions.** Whenever in this Accompanying Document there is designated a time of day at or by which a certain action must be taken, such time shall be local time in New York, New York except as otherwise specifically provided herein.

Section 105. **Accompanying Document to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the 2014-15 TRANs to be issued hereunder by the Owner from time to time, this Accompanying Document shall be deemed to be and shall constitute a contract between the City and the Owner from time to time of the 2014-15 TRANs . The pledge made in this Accompanying Document and the covenants and agreements herein set forth to be performed by and on behalf of the City shall be for the equal benefit, protection and security of the Owner of any and all of the 2014-15 TRANs, all of which shall be of equal rank without preference, priority, privilege or distinction of any of the 2014-15 TRANs over any other thereof, except as expressly provided in or permitted by this Accompanying Document.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF 2014-15 TRANs, Series A

Section 201. **Authorization, Form and Date of 2014-15 TRANs, Series A.**

1. The 2014-15 TRANs have been authorized to be issued pursuant to the Resolution and are entitled to the benefit, protection and security thereof. The 2014-15 TRANs

shall be issued in an aggregate principal amount of \$12,200,000 and shall bear interest as set forth in Section 203. The 2014-15 TRANs shall be issued in anticipation of the receipt by the City of Unrestricted Revenues attributable to the City's current Fiscal Year, which is July 1, 2014 to June 30, 2015. Such notes shall be designated as, and shall be securities distinguished from all other issues of the City by the title "2014-15 Tax and Revenue Anticipation Notes" or "2014-15 TRANs, Series A."

2. The 2014-15 TRANs shall be issued in fully registered form, without coupons and in the principal amount of the Notes in book-entry only form pursuant to Section 202 of this Accompanying Document. The City hereby certifies and recites that all acts, conditions and things required by law, the Resolution and this Accompanying Document to exist, to have happened, and to have been performed precedent to and during the issuance of the 2014-15 TRANs do exist, have happened and have been performed in due time, form and manner, as required by law and the Resolution and this Accompanying Document. The 2014-15 TRANs shall be in substantially the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of the 2014-15 TRANs.

3. Interest shall be payable on the Maturity Date to the Owner at the address as it appears in the Note Register or, at the request of an Owner, by wire transfer of immediately available funds in lawful money of the United States of America, at maturity. Except as otherwise provided in a Representation Letter, principal of and interest on the 2014-15 TRANs due at the maturity date shall be payable in lawful money of the United States of America upon surrender of the 2014-15 TRANs at the Principal Office of the Trustee. The 2014-15 TRANs so surrendered to the Trustee on any Business Day at or prior to 12:00 noon time at the office of the Trustee, shall be paid in funds immediately available on such Business Day. The 2014-15 TRANs so surrendered to the Trustee on any Business Day after 12:00 noon shall be paid on the next succeeding Business Day in funds immediately available on such succeeding Business Day.

4. The 2014-15 TRANs shall not be subject to redemption prior to maturity.

Section 202. Book-Entry Notes.

1. Subject to any limitation on maximum principal amount imposed by DTC, the 2014-15 TRANs shall be initially issued in the form of a fully registered, single note without coupons, in denominations of \$100,000, and upon initial issuance, the ownership of such 2014-15 TRANs shall be registered in the Note Register in the name of Cede & Co., as nominee of DTC, the initial Securities Depository. Except as provided in subsection 5 of this Section, all of the 2014-15 TRANs shall be registered in the Note Register in the name of Cede & Co., or such other nominee of DTC or any successor Securities Depository or the nominee thereof, as shall be specified pursuant to a Representation Letter.

2. With respect to 2014-15 TRANs, registered in the Note Register in the name of the Securities Depository, or its nominee, the City and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in any such 2014-15 TRANs. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility, obligation or liability

#11.

with respect to (a) the accuracy of the records of the Securities Depository, the nominee of the Securities Depository or any Participant with respect to any ownership interest in the 2014-15 TRANs, (b) the delivery to any Participant or any other Person, other than an Owner as shown in the Note Register, of any notice with respect to the 2014-15 TRANs, or (c) the payment to any Participant or any other Person, other than an Owner as shown in the Note Register, of any amount with respect to principal of or interest on the 2014-15 TRANs. The City may treat and consider the Person in whose name any 2014-15 TRANs is registered in the Note Register as the Owner and absolute owner of such 2014-15 TRANs, for the purpose of payment of principal of and interest on such 2014-15 TRANs, and for all other purposes whatsoever.

3. The Trustee shall pay all principal of and interest on the 2014-15 TRANs, only to or upon the order of the Owner, as shown in the Note Register on the Maturity Date thereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the 2014-15 TRANs, under this Accompanying Document and the 2014-15 TRANs, to the extent of the sums so paid. Upon delivery by the Securities Depository to the City Manager of written notice to the effect that the Securities Depository has determined to substitute a new nominee, the word "nominee" in this Accompanying Document shall refer to such new nominee of the Securities Depository.

4. In order to qualify the 2014-15 TRANs for the Securities Depository's book-entry system, the City Manager has been authorized to execute and deliver, or has executed and delivered, on behalf of the City to the Securities Depository a Representation Letter or Representation Letters representing such matters as shall be necessary to so qualify such 2014-15 TRANs. The execution and delivery of the Representation Letter or Representation Letters shall not in any way limit the provisions of subsection 2 of this Section or in any other way impose upon the City any obligation or liability whatsoever with respect to Persons having interests in the 2014-15 TRANs, other than the Owner as shown in the Note Register. In addition to the execution and delivery of the Representation Letter or Representation Letters, the City Manager and all other officers of the City, and their authorized representatives, are each hereby authorized and directed to take any other actions as they deem necessary or desirable, not inconsistent with this Accompanying Document, to qualify such 2014-15 TRANs, for the Securities Depository's book-entry program.

5. In the event (a) the incumbent Securities Depository determines not to continue to act as Securities Depository for the 2014-15 TRANs, or (b) the City determines that the incumbent Securities Depository shall no longer so act, and delivers a written certificate to the incumbent Securities Depository to that effect, then the City will discontinue the book-entry system for the 2014-15 TRANs with the incumbent Securities Depository. If the City determines to replace the incumbent Securities Depository with another qualified Securities Depository, the City shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver, subject to any limitation on maximum principal amount imposed by the successor Securities Depository, a new single, separate fully-registered note (which may be typewritten) for the aggregate outstanding principal amount of the 2014-15 TRANs, held by the incumbent Securities Depository, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangement reasonably acceptable to the City

and the successor Securities Depository as are not inconsistent with the terms of this Accompanying Document. If the City fails to identify another qualified successor Securities Depository to replace the incumbent Securities Depository, then the 2014-15 TRANs shall no longer be restricted to being registered in the Note Register in the name of the Securities Depository or its nominee, but shall be registered in whatever name or names the Securities Depository or its nominee shall designate. In such event the City shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver to the Owner thereof, such 2014-15 TRANs as are necessary or desirable to carry out the transfers and exchanges provided in this Section and Section 302. All such 2014-15 TRANs shall be in fully registered form in the denomination authorized pursuant to Section 201.

6. Notwithstanding any other provision of this Accompanying Document to the contrary, so long as any 2014-15 TRAN is registered in the name of the Securities Depository or its nominee, all notices and payments with respect to principal of and interest on such 2014-15 TRANs, shall be given and made, respectively, as provided in a Representation Letter or as otherwise instructed by the Securities Depository.

Section 203. **Terms of the 2014-15 TRANs.** The 2014-15 TRANs shall be dated the date of issuance and delivery thereof. Interest shall be paid on the Maturity Date for the 2014-15 TRANs. The 2014-15 TRANs shall bear interest computed on the basis of a 360-day year comprised of 12 months of 30 days each. The 2014-15 TRANs shall mature on June 1, 2015 and bear interest at the rate of _____ percent (___%) per annum.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF 2014-15 TRANs

Section 301. Execution of 2014-15 TRANs; Authentication.

1. The 2014-15 TRANs shall be executed in the name of the City by the manual or facsimile signature of the City Manager and the City Clerk of the City, and the City's seal shall be impressed, imprinted, engraved or otherwise reproduced thereon. No 2014-15 TRAN shall be entitled to any benefit under the Resolution or this Accompanying Document or be valid or obligatory for any purpose, unless there appears on such 2014-15 TRAN, a certificate of authentication substantially in the form provided for herein executed by the manual signature of the Trustee. Such certificate upon any 2014-15 TRAN, shall be conclusive evidence, and the only evidence, that such 2014-15 TRAN, has been duly issued, authenticated and delivered hereunder.

2. In case any one or more of the officers who shall have signed or sealed any of the 2014-15 TRANs, shall cease to be such officer before the 2014-15 TRANs so signed and sealed shall have been issued, such 2014-15 TRANs, so signed and sealed may nevertheless be issued, as herein provided, as if such persons who signed or sealed such 2014-15 TRANs had not ceased to hold such offices. Any of the 2014-15 TRANs may be signed and sealed on behalf of the City by such persons as at the time of the execution of such 2014-15 TRANs shall be duly

authorized to hold or shall hold the proper office in the City, although on the date borne by the 2014-15 TRANs, such persons may not have been so authorized or have held such office.

Section 302. **Negotiability, Transfer and Exchange.**

1. The Note Registrar shall keep at its Principal Office sufficient books for the registration of transfer and exchange of the 2014-15 TRANs as to which it serves as Note Registrar, which shall at all times be open to inspection by the City, and upon presentation for such purpose the Note Registrar shall, under such reasonable regulations as it may prescribe, register or transfer 2014-15 TRANs on such books as hereinafter provided.

2. The 2014-15 TRANs shall be initially held by, and subsequently transferred to, only an Accredited Investor and the maximum number of Accredited Investor Owners shall be thirty-five (35). Prior to purchasing any 2014-15 TRAN, each holder of the 2014-15 TRANs shall execute an Investment Letter, the form of which is attached to the Limited Offering Memorandum as an exhibit. The 2014-15 TRANs may not be transferred or exchanged except as provided herein.

3. The City and the Trustee may deem and treat the Owner of any 2014-15 TRANs as the absolute owner of such 2014-15 TRANs, regardless of whether such 2014-15 TRANs, shall be overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Owner or upon such Owner's order shall be valid and effective to satisfy and discharge the liability upon such 2014-15 TRANs, to the extent of the sum or sums so paid, and neither the City nor any Trustee shall be affected by any notice to the contrary. The City agrees, to the extent permitted by law, to indemnify and hold the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Accompanying Document, in so treating such Owner.

4. The 2014-15 TRANs shall not be exchangeable for other 2014-15 TRANs, except as provided in Section 202, this Section 302 and Section 303.

Section 303. **2014-15 TRANs, Mutilated, Destroyed, Stolen or Lost.** In case any 2014-15 TRANs shall become mutilated or be destroyed, stolen or lost, the City shall issue new 2014-15 TRANs, of like principal amount, denomination and tenor as the 2014-15 TRANs, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated 2014-15 TRANs, or in lieu of and substitution for the 2014-15 TRANs, destroyed, stolen or lost, upon the filing with the Trustee and the City of evidence satisfactory to the Trustee and the City that such 2014-15 TRANs have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee and the City with indemnity satisfactory to the Trustee and the City and complying with such other reasonable regulations as the Trustee and the City may prescribe and paying such expenses as the Trustee and the City may incur. All 2014-15 TRANs so surrendered shall be cancelled. Any such substitute 2014-15 TRANs shall constitute original contractual obligations on the part of the City, whether or not the 2014-15 TRANs alleged to be destroyed, stolen or lost are at any time enforceable by anyone. Such substitute 2014-15 TRANs shall be equally secured by and entitled to equal and proportionate benefits with all other 2014-15 TRANs issued under the Resolution and this Accompanying Document in any moneys or securities held by the City or the Trustee for the benefit of the Owner of the 2014-15 TRANs.

Section 304. **Cancellation of the 2014-15 TRANs.** All 2014-15 TRANs which at or after maturity are surrendered to the Trustee for the collection of the principal thereof and interest thereon shall be cancelled by the Trustee and forthwith destroyed by the Trustee. The Trustee shall promptly deliver to the City a certificate specifying the cancellation of such 2014-15 TRANs. In all matters provided for in this Section, the City shall act through the City Manager.

Section 305. **2014-15 TRANs Held by City.** If the City shall become the Owner of any 2014-15 TRANs, such 2014-15 TRANs shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation; provided, however, that the City shall not be deemed to be the Owner of any 2014-15 TRANs, held by it in a fiduciary capacity.

ARTICLE IV

ESTABLISHMENT OF 2014-15 TRANs PROCEEDS FUND AND REPAYMENT FUND AND APPLICATION THEREOF

Section 401. Use of Proceeds of 2014-15 TRANs.

1. The City Manager shall cause the Trustee to establish and the Trustee shall establish the "2014-15 TRANs Proceeds Fund." The proceeds of sale of the 2014-15 TRANs shall be transferred to the Trustee and deposited in the 2014-15 TRANs Proceeds Fund. The City Manager shall cause the Trustee to make disbursements and the Trustee shall make disbursements from the 2014-15 TRANs Proceeds Fund to pay current Fiscal Year 2014-15 expenditures and to discharge other obligations or indebtedness of the City in accordance with the Authorizing Law and the provisions of the Tax Certificate. Amounts on hand in the 2014-15 TRANs Proceeds Fund shall be accounted for separately from the other funds of the Trustee in accordance with standard accounting practices of the Trustee for such a separate account and shall be invested in Permitted Investments, so as to be available for the aforementioned disbursements. The Trustee shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2014-15 TRANs Proceeds Fund, as well as a written record of disbursements from the 2014-15 TRANs Proceeds Fund.

2. Without limiting the generality of subsection 1 of this Section, the City Manager is authorized to cause the Trustee to pay the fees and reasonable expenses incurred in connection with the authorization, sale and issuance of the 2014-15 TRANs out of moneys in the 2014-15 TRANs Proceeds Fund or any account in the General Fund of the City.

Section 402. **Payment and Security for the 2014-15 TRANs.** Pursuant to the Resolution, the City Manager shall cause to be established by the Trustee the "2014-15 TRANs Repayment Fund." The City Manager shall cause to be established by the Trustee any additional subaccounts therein if deemed necessary to effectuate the purposes of the Resolution. Amounts on hand in the 2014-15 TRANs Repayment Fund shall be accounted for separately from the other funds of the Trustee in accordance with standard accounting practices of the Trustee for such a separate account and shall be invested in Permitted Investments, so as to be available for use of any authorized disbursements. As provided in the Authorizing Law, the 2014-15 TRANs, and the interest thereon, are general obligations of the City, payable from certain unencumbered moneys, including the taxes, income, revenues, cash receipts, and other moneys deposited in inactive or

term deposits, received or accrued by the City during Fiscal Year 2014-15 that are lawfully available for such purpose (collectively, the "Unrestricted Revenue"). Taxes, income, revenues, cash receipts and other moneys received by the City and encumbered for a special purpose shall not be available for payment of the 2014-15 TRANs (the "Unavailable Revenue"), unless an equivalent amount of the proceeds from the 2014-15 TRANs is set aside for and used for said special purpose. Unavailable Revenue shall include, but not be limited to: funds collected by or on behalf of the City for the City retirement fund, water fund and street lighting fund.

Section 4.03. **County Collected Revenues.** Pursuant to the Resolution, the Authorizing Law, this Accompanying Document and the Letter of Direction, the City has authorized the County to send to the Trustee (by wire or ACH transfer) for deposit, and the Trustee to accept and deposit, into the 2014-15 TRANs Repayment Fund, 100% of the County Collected Revenues on a monthly basis in accordance with this Section 403 and the transfer instructions set forth in the Letter of Direction and Exhibit C thereto.

The City has further directed the County to deliver to the Trustee all County Collected Revenues, and any other funds so directed for deposit by the City Manager, for deposit in the 2014-15 TRANs Repayment Fund held by the Trustee, for subsequent application per the terms of the Trust Agreement, until such time as the total amounts deposited and held in the 2014-15 TRANs Repayment Fund, from any source, equal the Repayment Amount.

To the extent that any amounts received pursuant to the foregoing paragraphs are less than the Repayment Amount, the City Manager shall cause to be deposited into, and the Trustee shall deposit into the 2014-15 TRANs Repayment Fund, no later than the Business Day prior to the Maturity Date, Unrestricted Revenues, and additional amounts from any other moneys of the City lawfully available therefor, until the amount on deposit in the 2014-15 TRANs Repayment Fund equals the Repayment Amount. To the extent any 2014-15 TRANs is not paid from the County Collected Revenue, such 2014-15 TRANs shall be paid, with the interest thereon, from Unrestricted Revenues, and any other moneys of the City lawfully available therefor. As provided in the Authorizing Law, the 2014-15 TRANs, and the interest thereon, are a first lien and charge against and are payable from the first moneys received by the City from such pledged moneys.

On the Maturity Date, the City shall cause the Trustee to pay and the Trustee shall pay from the 2014-15 TRANs Repayment Fund the principal and interest due on the 2014-15 TRANs so maturing on the Maturity Date, and such moneys in the 2014-15 TRANs Repayment Fund may not be used for any other purpose, although earnings may be invested in Permitted Investments so as to be available for disbursement and in no event for a term that exceeds the term of the 2014-15 TRANs, and earnings on amounts in the 2014-15 TRANs Repayment Fund shall be deposited as and when received into any account in the General Fund of the City as the City Manager may direct in a Written Direction. Any amounts remaining in the 2014-15 TRANs Repayment Fund after payment in full of principal of and interest on the 2014-15 TRANs, shall be the sole and exclusive property of the City, shall not be subject to any claims by or on behalf of any Owner of 2014-15 TRANs, and shall be transferred to the City for deposit into any account in the General Fund of the City as the City Manager may direct in a Written Direction.

The City does hereby grant a security interest in, convey, bargain, pledge, transfer and assign unto the Trustee, all of the City's right, title, and interest in and to the Unrestricted

Revenues, including the County Collected Revenues, whether or not such County Collected Revenues have been deposited into the 2014-15 TRANS Repayment Fund, and the City further authorizes the Trustee to perfect the security interest granted hereby in the Unrestricted Revenues pursuant to applicable law. Upon the final payment of the principal of and interest on the 2014-15 TRANS, the security interest created herein shall automatically terminate and the Trustee is directed to make appropriate filings to evidence such termination.

ARTICLE V

CERTAIN COVENANTS; EVENTS OF DEFAULT AND REMEDIES

Section 501. General Covenants and Representations.

1. The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of the Authorizing Law, the Resolution, the Trust Agreement, the Direction Letter and this Accompanying Document.

2. Upon the date of issuance of the 2014-15 TRANS all conditions, acts and things required of the City by law, the Resolution and this Accompanying Document to exist, to have happened and to have been performed precedent to and during the issuance of the 2014-15 TRANS, shall exist, shall have happened and shall have been performed, in due time, form and manner, and the issue of the 2014-15 TRANS, together with all other indebtedness of the City, shall be within all applicable debt and other limits prescribed by the laws of the State as of the date of such issuance.

3. The 2014-15 TRANS do not exceed, and the City shall not issue any notes, or otherwise incur any indebtedness, pursuant to the Authorizing Law with respect to Fiscal Year 2014-15 in an amount which, when added to the interest payable thereon, shall exceed, either 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys of the City which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the City, the term of which shall terminate during said Fiscal Year, such principal and interest may be disregarded in computing said limit.

Section 502. Covenants Relating to the Code.

The City shall do the following with respect to the 2014-15 TRANS:

1. The City shall comply with each applicable requirement of the Code necessary to maintain the exclusion of interest on the 2014-15 TRANS from gross income for federal income tax purposes. To this end, the City agrees to comply with the provisions of the Tax Certificate. The City shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the 2014-15 TRANS proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

2. Notwithstanding any other provisions of this Accompanying Document to the contrary, so long as necessary to maintain the exclusion from gross income of interest on the 2014-15 TRANs, for federal income tax purposes, the covenants contained in this Section shall survive the payment of the 2014-15 TRANs, and the interest thereon.

3. Notwithstanding any other provision of this Accompanying Document to the contrary, upon the City's material failure to observe or refusal to comply with the covenants contained in this Section, the Owner, and any adversely affected former Owner, shall be entitled to the rights and remedies provided to Owner under this Accompanying Document.

Section 503. **Events of Default and Remedies.**

1. The following shall be Events of Default under the Resolution and this Accompanying Document and the term "Event of Default" whenever used in this Accompanying Document shall mean any one or more of the following:

(a) default shall be made in the due and punctual payment of the principal of, or interest on any 2014-15 TRANs when and as the same shall become due and payable; or

(b) default shall be made in the performance or observance by the City of any other of the material covenants, agreements or conditions required to be performed or observed by the City pursuant to the Resolution, this Accompanying Document or any 2014-15 TRANs, and such default shall continue for a period of 60 days after written notice thereof to the City by the Owner of not less than 10% in principal amount of the 2014-15 TRANs Outstanding.

2. Whenever any Event of Default shall have happened and shall be continuing, the Owner, and any adversely affected former Owner, of the 2014-15 TRANs, and their legal representatives, shall be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants herein and in the Authorizing Law. Nothing herein shall preclude an individual Owner from enforcing his or her rights to payment of principal of or interest on 2014-15 TRANs.

ARTICLE VI

SUPPLEMENTAL RESOLUTIONS AND ACCOMPANYING DOCUMENT

Section 601. **Supplemental Resolutions and Accompanying Document Effective Without Consent of the Owner.** A Supplemental Resolution of the City may be adopted, or a supplemental Accompanying Document may be executed, for any one or more of the following purposes, which, without the requirement of consent of the Owner, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the City in the Resolution or this Accompanying Document, as the case may be, other covenants and agreements to be observed by the City that are not contrary to or inconsistent with the Resolution or this Accompanying Document as theretofore in effect;

(b) to add to the limitations and restrictions in the Resolution or this Accompanying Document as the case may be, other limitations and restrictions to be observed by the City that are not contrary to or inconsistent with the Resolution or this Accompanying Document as theretofore in effect;

(c) to confirm as further assurance, any pledge under, and subject to any lien or pledge created or to be created by, the Resolution or this Accompanying Document, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution or this Accompanying Document;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or this Accompanying Document, as the case may be, as theretofore in effect; and

(e) to supplement or amend the Resolution or this Accompanying Document, as the case may be, in any other respect, provided that the City obtains an Opinion of Bond Counsel to the effect that such Supplemental Resolution or supplemental Accompanying Document does not adversely affect the interests of the Owner.

Section 602. **Supplemental Accompanying Document.** Except as provided in Section 701 hereof, any amendment of or supplement to this Accompanying Document and of the rights and obligations of the City and of the Owner of the 2014-15 TRANs under this Accompanying Document may be made by a supplemental Accompanying Document with the written consent of the Owner of at least a majority in principal amount of the 2014-15 TRANs Outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any 2014-15 TRANs of any particular Series remain Outstanding, the consent of the Owner of such Series shall not be required. No such supplement or amendment shall permit a change in the terms of maturity of the principal of any 2014-15 TRANs, or of the interest rate thereon or a reduction in the principal amount thereof, or shall change the dates or amounts of the pledges set forth in Section 402, or shall reduce the percentage of Owners required to approve any such supplemental Accompanying Document, without the consent of all of the Owners of affected 2014-15 TRANs, nor shall any such supplement or amendment change or modify any of the rights or obligations of any Trustee, if applicable, without its written consent thereto. The City shall provide the Rating Agencies notice of any supplemental Accompanying Document or Supplemental Resolution.

ARTICLE VII

MISCELLANEOUS

Section 701. **Moneys Held in Trust for One Year.** Anything in this Accompanying Document to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the 2014-15 TRANs that remain unclaimed for a period of one year after the date when such 2014-15 TRANs have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such 2014-15 TRANs, became due and payable, shall be repaid to the City, as its absolute property and free from trust, and the Owner shall thereafter look only to the City for the payment of such 2014-15 TRANs, from lawfully available funds; provided, however, that before any such

payment is made to the City, the City shall create (and shall thereafter maintain until payment of all of the 2014-15 TRANs) a record of the amount so repaid, and the City shall cause to be published at least twice, at any interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed shall be returned to the City.

Section 702. **Certified Copies.** The City Clerk shall provide a certified copy of this Accompanying Document to the City Manager who is hereby authorized and directed to take such action as shall be necessary to assure compliance by the City with the terms and conditions hereof.

Section 703. **Funds, Accounts and Subaccounts.** Any fund, account or subaccount required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account, subaccount or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account, subaccount or a fund; but all such records with respect to all such accounts, subaccounts and funds shall at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the 2014-15 TRANs, and the rights of the Owners with respect to the 2014-15 TRANs.

Section 704. **Article and Section Headings and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to this Accompanying Document as a whole and not to any particular article, section, subdivision or clause hereof.

Section 705. **Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the 2014-15 TRANs and the Owner with respect to the 2014-15 TRANs shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The City and the Trustee hereby declare that they would have executed and delivered this Accompanying Document and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the 2014-15 TRANs pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 706. **Execution in Several Counterparts.** This Accompanying Document may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the

City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 707. **Governing Law.** This Accompanying Document shall be interpreted, governed and enforced in accordance with the laws of the State of California. If any party to this Accompanying Document initiates any legal or equitable action to enforce the terms of this Accompanying Document, to declare the rights of the parties under this Accompanying Document or which relates to this Accompanying Document in any manner, each such party agrees that the place of making and for performance of this Accompanying Document shall be Los Angeles County, State of California, and the proper venue for any such action shall be the Superior Court of the State of California, in and for the County of Los Angeles.

Section 708. **Notices.** All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first class mail, postage prepaid or if sent by overnight delivery service.

#11.

IN WITNESS WHEREOF, I have set my hand onto this Accompanying Document Providing for the Terms and Conditions of Issuance and Sale of 2014-15 Tax and Revenue Anticipation Notes dated as of the day and year first above written.

CITY OF COMPTON

By: _____
G. Harold Duffey
City Manager

[Signature Page to Accompanying Document]

APPROVED
CRAIG J. CORNWELL

By: _____
Craig J. Cornwell
City Attorney

[Counterpart Signature Page to Accompany Document]

#11.

ACKNOWLEDGED AND AGREED TO BY:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

[Counterpart Signature Page to Accompany Document]

ACKNOWLEDGED AND AGREED TO BY: COUNTY OF LOS ANGELES

By: _____
Auditor-Controller

[Counterpart Signature Page to Accompany Document]



3414 Peachtree Road NE
Suite 1020
Atlanta, GA 30326

P: 404-382-5223
F: 404-461-9052

Independent Registered Municipal Advisor Exemption Certification

The U.S. Securities and Exchange Commission (SEC) adopted final rules, including Rule 15Ba1-1 (the Rule), under the Securities Exchange Act of 1934 ("Exchange Act"), pursuant to Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, that were effective January 13, 2014 and subsequently postponed by the SEC to a July 1, 2014 compliance date. IFS Securities ("IFS" or the "Firm") known as the ("Underwriter"), intend to rely on this certificate for purposes of qualifying for the independent registered municipal advisor exemption provided in the Rule. City and Compton, CA (Issuer) is aware of the Rule and the "independent registered municipal advisor" exemption from the definition of "municipal advisor" for a person providing "advice" to a municipal entity or obligated person where the municipal entity or obligated person is represented by an independent registered municipal advisor (*i.e.*, a registered municipal advisor who is not and was not within the past two years associated with the Underwriter). Underwriters are not a municipal advisor and are not subject to the fiduciary duty to municipal entities or obligated persons that the Exchange Act imposes on municipal advisors. When and if the Underwriters provide the Issuer with any recommendations or advice regarding the issuance of municipal securities or municipal financial products ("Underwriter Communications"), Underwriters are relying on the independent registered municipal advisor exemption.

Issuer hereby represents to Underwriters the following:

1. Issuer is represented by the firm of Comer Capital ("Independent Registered Municipal Advisor"), which is registered as a municipal advisor with the SEC for purposes of the Rule.
2. Issuer has retained Independent Registered Municipal Advisor to, among other things, assist Issuer in evaluating any and all recommendations or advice relating to the issuance of municipal securities and municipal financial products.
3. Issuer will rely on Independent Registered Municipal Advisor, and not the Underwriter, for advice or recommendations with respect to any Underwriter Communications.
4. Issuer also will rely on the Independent Registered Municipal Advisor in assessing the material incentives and conflicts of interest that the Underwriter may have relating to Underwriter Communications.
5. The personnel of Independent Registered Municipal Advisor who will advise Issuer have represented to Issuer that they are not and have not been associated with the Underwriter within the two years prior to the date of this certificate.

Handwritten signature: [Signature]

#11.



Advisor Network : Capital Markets

3414 Peachtree Road NE
Suite 1020
Atlanta, GA 30326

P: 404-382-5223
F: 404-461-9052

6. Issuer acknowledges and understands that the Underwriter will rely on this certificate for purposes of qualifying for the independent registered municipal advisor exemption provided in the Rule.

Absent written revocation, this certificate may be relied upon for one year from the date hereof.

By providing the above representations, Issuer acknowledges that the Underwriter is not a municipal advisor and is not subject to the fiduciary duty set forth in the Rule regarding municipal financial products or the issuance of municipal securities.

City of Compton, CA

Name (Printed): _____

Signature: _____

Title: _____

Date: _____

IFS Securities, Inc.

Name (Printed): Graig Walker

Signature: [Handwritten Signature]

Title: Vice President

Date: 7-15-14

See also of independent bankruptcy



Advisor Network | Capital Markets

The art of independent thinking.™

July 1, 2014

City of Compton, California

205 S. Willowbrook Avenue

Compton, California 90220

Attn: Mr. G. Harold Duffy

Re: Disclosures by Underwriter

Pursuant to MSRB Rule G-17

City of Compton 2014 – 2015 Tax and Revenue Anticipation Notes, Series A

Dear Mr. Duffy:

We are writing to provide you, as City Manager of the City of Compton, with certain disclosures relating to the captioned bond issue (City of Compton 2014-2015 Tax and Revenue Anticipation Notes, Series A), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012)¹.

IFS Securities intends to serve as underwriter and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as underwriter, IFS Securities may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

I. Disclosures Concerning the Underwriters' Role:

- (i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.
- (ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.
- (iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

IFS Securities 303 Perimeter Center North, Suite 300 Atlanta, Georgia 30346

(iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

(v) The underwriters will review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.

II. Disclosures Concerning the Underwriters' Compensation:

The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

III. Additional Conflicts Disclosures:

The Underwriter has not identified any additional potential or actual material conflicts that require disclosure.

IV. Disclosures Concerning Complex Municipal Securities Financing:

Since IFS Securities has not recommended a "complex municipal securities financing" to the Issuer, additional disclosures regarding the financing structure for the Bonds are not required under MSRB Rule G-17.]

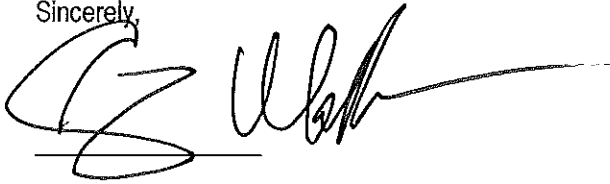
If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

We are required to seek your acknowledgement that you have received this letter. Accordingly, please sign and return the enclosed copy of this letter to me at the address set forth below. Depending on the structure of the transaction that the Issuer decides to pursue, or if additional potential or actual material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We look forward to working with you and the Issuer [and the obligor] in connection with the issuance of the Bonds.
Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Harold Duffy", written over a horizontal line.

Underwriter

IFS Securities

303 Perimeter Center North, Suite 300

Atlanta, GA 30346

Acknowledgement:

G. Harold Duffy

Date: _____

CC Craig Cornwell

IRREVOCABLE/UNCONDITIONAL DIRECTION LETTER

July __, 2014

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

County of Los Angeles
500 West Temple Street, Room 525
Kenneth Hahn Hall of Administration
Los Angeles, California 90012
Attention: Department of the Auditor-Controller

U. S. Bank National Association
1420 5th Avenue, 7th Floor, PD-WA-T7CT
Seattle, WA 98101
Attention: Carolyn Morrison

Re: \$_____ City of Compton, California 2014-15 Tax and Revenue Anticipation Notes Series A

Ladies and Gentlemen:

This Direction Letter constitutes an irrevocable and unconditional agreement ("**Direction Agreement**") between the County of Los Angeles (the "**County**") acting by and through the Auditor-Controller of the County (the "**Auditor-Controller**"), the City of Compton (the "**City**"), and U.S. Bank National Association, as Trustee (the "**Trustee**") for the City's 2014-15 Tax and Revenue Anticipation Notes, Series. A (the "**Notes**") regarding the direct payment to the Trustee of the County Collected Revenues otherwise payable to the City as security and payment source for the Notes. The City has executed and delivered this Direction Agreement pursuant to a resolution adopted by the City Council of the City on July __, 2014, a copy of which is attached hereto as Exhibit A (the "**Resolution**"), and the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2014-15 Tax and Revenue Anticipation Notes, Series 2014A dated as of July __, 2014, a copy of which is attached hereto as Exhibit B (the "**Accompanying Document**"), executed by the City Manager of the City (the "**City Manager**"), and the Trust Agreement dated as of July 1, 2014, by and between the City and the Trustee ("**Trust Agreement**"). All capitalized terms used in this Direction Agreement but not otherwise defined herein shall have the meanings set forth in the attached Accompanying Document.

Pursuant to Section 402 of the Accompanying Document, the City Manager has caused to be established by the Trustee the 2014-15 TRANs Repayment Fund under the Trust Agreement. Effective as of the date of this Direction Agreement, the City hereby unconditionally and irrevocably directs the Auditor-Controller to promptly allocate and pay in good funds (by wire, or ACH transfer) to the Trustee on a monthly basis, 100% of the County Collected Revenues (as defined in the Accompanying Document) until such time as the total amounts deposited and held in the 2014-15 TRANs Repayment Fund, from any source, equal the Repayment Amount as set forth in Section 403 of the Accompanying Document. Such monthly transfers shall be made pursuant to the wire or ACH transfer instructions set forth in Exhibit C hereto. The City represents and warrants to the County and the Trustee that the County

Collected Revenues are unrestricted and unassigned revenues of the City in all respects. The Trustee agrees to deposit all such County Collected Revenues in the 2014-15 TRAns Repayment Fund held by the Trustee for subsequent application per the terms of the Trust Agreement and this Direction Agreement. The County, through its Auditor-Controller, irrevocably and unconditionally agrees to transfer 100% of the County Collected Revenues allocable to the City to the Trustee as provided for in this Direction Agreement, without delay, deduction, set-off or abatement for any reason except as provided herein. Such wire or ACH transfers by the County, through its Auditor-Controller, of the County Collected Revenues shall take place each month on the date that is no later than one (1) business day after the County apportions such County Collected Revenues to all local taxing agencies, including the City. The parties agree to strictly comply with the terms of this Direction Agreement notwithstanding any judicial proceedings (including any proceedings under the U.S. Bankruptcy Code) by or against any party, and for purposes of the U.S. Bankruptcy Code, the parties agree that this Direction Agreement does not constitute an executory contract, and that the City agrees that the County Collected Revenues constitute "special revenues" to the maximum extent possible under Section 922 of the US Bankruptcy Code. Furthermore, the City shall not take any actions to thwart or impair the County or the Trustee from undertaking their obligations hereunder in any judicial proceedings or otherwise (including the Trustee taking any actions to lift any automatic stay), and any such attempted actions by the City will be deemed taken in bad faith. The City hereby directs the County acting through its Auditor-Controller to promptly provide the Trustee with any information needed to verify the amount of County Collected Revenues which the City is entitled to receive hereunder.

The terms of this Direction Agreement shall be irrevocable and shall not terminate until (1) the amounts in the 2014-15 TRAns Repayment Fund certified in writing by the Trustee to the City and the County to its Auditor-Controller, from any source, shall equal approximately \$_____, and (2) the County acting through its Auditor-Controller shall have received a subsequent Written Direction from the City and the Trustee stating that the Auditor-Controller shall henceforth transfer directly to the City and not to the Trustee any further County Collected Revenues.

The City shall hold the County and the Auditor-Controller harmless for depositing the County Collected Revenues as set forth in Section 402 of the Accompanying Document and transferring such County Collected Revenues to the Trustee for deposit in the 2014-15 TRAns Repayment Fund held by the Trustee. Nothing in this Direction Agreement, the Notes, the Resolution, or the Accompanying Document is intended to confer standing upon Trustee to challenge the Auditor-Controller's computations of County Collected Revenues.

IN WITNESS WHEREOF, I have set my hand onto this Direction Agreement on this ____ day of July, 2014.

CITY OF COMPTON

By: _____

APPROVED AS TO FORM:

CRAIG J. CORNWELL, City Attorney:

By: _____
Craig J. Cornwell
City Attorney

ACKNOWLEDGED AND AGREED TO BY:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Name: _____

Title: _____

Date: _____

COUNTY OF LOS ANGELES, Acting Through Its Auditor-Controller

Name: _____

Title: _____

Date: _____

By: _____
Auditor-Controller

#11.

APPROVED AS TO FORM:

CRAIG J. CORNWELL, City Attorney:

By: _____
Craig J. Cornwell
City Attorney

ACKNOWLEDGED AND AGREED TO BY:
U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Name: _____

Title: _____

Date: _____

COUNTY OF LOS ANGELES, Acting Through Its Auditor-Controller
Name: _____

Title: _____

Date: _____

Auditor-Controller

EXHIBIT A

COPY OF THE RESOLUTION

#11.

EXHIBIT B

COPY OF THE ACCOMPANYING DOCUMENT

EXHIBIT C

ACH WIRING INSTRUCTION

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED JULY __, 2014
OFFERED ONLY TO ACCREDITED INVESTORS

NEW ISSUE, BOOK-ENTRY ONLY

NO RATING
See "NO RATING" herein

In the opinion of Bond Counsel, subject to the limitations and conditions described herein, interest on the Notes (as defined below) is exempt from present State of California personal income taxes, is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion contains greater detail, and is subject to exceptions, as noted in "TAX MATTERS" herein. See "APPENDIX D: FORM OF OPINION OF BOND COUNSEL."

\$12,200,000*
CITY OF COMPTON, CALIFORNIA
2014-15 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

Interest Rate: ____%

Yield: ____%

CUSIP: _____

Dated Date: Day of Delivery

Maturity Date: June 1, 2015

The City of Compton, California (the "City") is issuing its \$12,000,000** 2014-15 Tax and Revenue Anticipation Notes, Series A (the "Notes") for the purpose of financing Fiscal Year 2014-15 expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City. In accordance with California law, the Notes are general obligations of the City payable from the taxes, income, revenue, cash receipts and other moneys that are received or accrued by (or allocable to) the City during Fiscal Year 2014-15 that are lawfully available for the payment of the Notes and interest thereon, but exclusive of any moneys that when received will be encumbered for a special purpose (as more particularly described herein, the "Unrestricted Revenues"). In accordance with a Direction Letter from the City to the County of Los Angeles (the "County"), the Auditor-Controller of the County will transfer County Collected Revenues (as defined herein), which comprise a portion of Unrestricted Revenues, to the Trustee (as defined below) for deposit in an account to be held in trust solely for the benefit of the holders of the Notes (the "Repayment Fund"). As provided in Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (Sections 53850 to 53858 of the Government Code of the California) (the "Law"), the Notes and the interest thereon will be a valid lien and charge against, and will be payable from, the first moneys received by the City comprising the Unrestricted Revenues. To the extent that any amounts so received are less than the total dollar amount designated for such deposit in the Repayment Fund, additional amounts will be deposited into the Repayment Fund from any other moneys of the City lawfully available therefor, as more particularly described herein. The Repayment Fund is to be held in trust by U.S. Bank National Association, Los Angeles, California, as trustee, paying agent and note registrar for the Notes (the "Trustee"). See "THE NOTES — Security and Sources of Payment for the Notes."

The Notes will be issued in fully registered form, without coupons, at the interest rate stated above. The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Purchase of the Notes will be made only through DTC participants under the book-entry system maintained by DTC. The Purchaser (as defined herein) will not receive a certificate representing its ownership interest in the Notes. Principal of and interest on the Notes are payable on the Maturity Date of the Notes. The Notes will not be subject to redemption prior to maturity. The Notes may not be transferred or exchanged except as provided herein to Accredited Investors, as defined herein. See "THE NOTES" and "BOOK-ENTRY ONLY SYSTEM."

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 NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. SEE "THE NOTES — SECURITY AND SOURCES OF PAYMENT FOR THE NOTES," "RISK FACTORS," AND "CITY FISCAL CRISIS UPDATE" HEREIN.

This Limited Offering Memorandum relates only to the purchase of the Notes as of their date of delivery and should not be relied upon after such date.

The Notes are offered when, as and if executed and delivered by the City and received by the Purchaser, subject to the approval as to their legality by Gonzalez Saggio & Harlan LLP, Los Angeles, California, Bond Counsel to the City. Certain other legal matters will be passed upon for the City by the City Attorney, and by the City's Disclosure Counsel, Gonzalez Saggio & Harlan LLP, Los Angeles, California and for the underwriter by its counsel Bell & Washington, Atlanta, Georgia. Corner Capital Group, LLC, Jackson, Mississippi, is serving as Financial Advisor for the City. It is expected that the Notes will be available through the facilities of DTC in New York, New York for delivery on or about July, 2013.

IFS SECURITIES, INC.

Dated: __, 2014

* Preliminary, subject to change.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations 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 City. This Limited Offering Memorandum does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Notes by a person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Limited Offering Memorandum is not to be construed as a contract with the purchaser of the Notes. Statements contained in this Limited Offering Memorandum that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Limited Offering Memorandum has been obtained from official sources and other sources, which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City.

The information and expressions of opinions herein are subject to change without notice and neither delivery of this Limited Offering Memorandum nor any sale made in connection therewith 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 with respect to the original issuance and sale of the Notes 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 documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

CUSIP data on the cover hereof are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Underwriter (as defined herein) assumes any responsibility for the selection or uses of, or for the accuracy or correctness of, such data.

Certain statements in this Limited Offering Memorandum, which may be identified by the use of such terms as "plan," "expect," "estimate," "project," "budget" or other similar words, constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, statements under the caption "RISK FACTORS" and in "APPENDIX B: CITY OF COMPTON CASH FLOW PROJECTIONS." Such forward-looking statements refer to the achievement of certain results or other expectations of performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

EACH PURCHASER OF NOTES WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER IN THE FORM ATTACHED HERETO AS "APPENDIX F: INVESTMENT LETTER" (THE INVESTMENT LETTER) IN WHICH, AMONG OTHER MATTERS, SUCH PURCHASER WILL REPRESENT THAT IT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501 UNDER THE SECURITIES ACT OF 1933. THE NOTES MAY BE TRANSFERRED ONLY TO ACCREDITED INVESTORS.

CITY OF COMPTON
County of Los Angeles, California

CITY COUNCIL

Janna Zurita (District 1)
Isaac Galvan (District 2)
Yvonne Arceneaux (District 3)
Dr. Willie O. Jones (District 4)
Aja Brown, Mayor

CITY STAFF

Craig J. Cornwell, City Attorney
Alita Godwin, CMC, City Clerk
Douglas Sanders, City Treasurer
G. Harold Duffey, City Manager

BOND AND DISCLOSURE COUNSEL

GONZALEZ SAGGIO & HARLAN LLP
Atlanta, Georgia

SPECIAL COUNSEL TO THE CITY

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC
Los Angeles, California

TRUSTEE

U.S. BANK NATIONAL ASSOCIATION
Seattle, Washington

FINANCIAL ADVISOR

COMER CAPITAL GROUP, LLC
Jackson, Mississippi

UNDERWRITER

IFS SECURITIES, INC.
Atlanta, Georgia

UNDERWRITERS COUNSEL

BELL & WASHINGTON
Atlanta, Georgia

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LIMITED OFFERING MEMORANDUM

\$12,000,000*

CITY OF COMPTON, CALIFORNIA 2014-15 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

INTRODUCTION

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

General

This Limited Offering Memorandum, which includes the cover and Appendices attached hereto, provides information concerning the sale and delivery of \$12,000,000* City of Compton, California 2014-15 Tax and Revenue Anticipation Notes, Series A (the "Notes"). The Notes are issued pursuant to the Charter of the City of Compton (as amended, the "City Charter") and the Constitution and laws of the State of California (the "State"), including Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (Sections 53850 to 53858 of the Government Code of the State) (the "Law"). The Notes are authorized pursuant to a resolution of the City Council (the "City Council") of the City of Compton, California (the "City") adopted on July __, 2014 (the "Resolution") and the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2014-15 Tax and Revenue Anticipation Notes, Series A, dated as of July 1, 2014 (the "Accompanying Document"). The Notes are being issued for the purpose of financing Fiscal Year 2014-15 (July 1, 2014 to June 30, 2015) expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City. The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed eighty-five percent (85%) of the estimated Unrestricted Revenues (as defined herein) legally available for the payment of the Notes. Capitalized terms used but not defined herein have the meanings assigned to them in the Resolution or the Accompanying Document, as applicable.

The City

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. 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.

- Preliminary, subject to change.

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 97,508 residents as of January 1, 2012 and encompasses an area of approximately 10.2 square miles.

Security and Sources of Payment for the Notes

Under the Law, the Notes are general obligations of the City payable only out of Unrestricted Revenues (as defined herein) received or accrued by (or allocable to) the City during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon. In accordance with a Direction Letter from the City to be dated the date of delivery of the Notes (the "Direction Letter") to the County, the Auditor-Controller of the County will transfer County Collected Revenues (as defined herein), which are a portion of Unrestricted Revenues, to the Trustee for deposit in the Repayment Fund. As provided in the Law, the Notes and the interest thereon will be a valid lien and charge against, and will be payable from, the first moneys received by the City comprising the Unrestricted Revenues. To the extent that any amounts so received are less than the total dollar amount designated for such deposit in the Repayment Fund, additional amounts will be deposited into the Repayment Fund from any other moneys of the City lawfully available therefor, as described below. The Repayment Fund is to be held in trust by [U.S. Bank National Association], Los Angeles, California, as trustee, paying agent and note registrar for the Notes (the "Trustee") pursuant to the Trust Agreement, dated as of July 1, 2014 (the "Trust Agreement"), by and between the City and the Trustee. The City expects that the aggregate amounts required to be deposited in the Repayment Fund will be sufficient to repay the Notes and accrued interest thereon when due. See "THE - NOTES — Security and Sources of Payment for the Notes" herein.

General Description of the Notes

The Notes will be delivered in fully registered form, without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, securities depository of the Notes. Purchase of the Notes will be made in book-entry form only. The purchaser of the Notes (the "Purchaser") will not receive a certificate representing its ownership interest in the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein. The principal of and interest on the Notes will be paid on June 1, 2015 (the "Maturity Date") by the Trustee to DTC, which will in turn remit such principal and interest to the Purchaser.

The Notes are not subject to redemption prior to maturity. See "THE NOTES" herein for more information.

Tax Matters

In the opinion of Bond Counsel, subject to the limitations and conditions described herein, interest on the Notes is exempt from present State of California personal income taxes, is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion contains greater detail, and is subject to exceptions, as noted in "TAX MATTERS" herein. See "APPENDIX D: FORM OF OPINION OF BOND COUNSEL."

Continuing Disclosure

The City has covenanted in the Resolution and the Continuing Disclosure Agreement dated as of the dated date of the Notes (the "Continuing Disclosure Agreement"), by and between the City and U.S.

Bank National Association, as dissemination agent, to file notices of certain events (each, a "Listed Event") with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system or as otherwise directed by the MSRB or the Securities and Exchange Commission (the "SEC"). See "APPENDIX E: FORM OF CONTINUING DISCLOSURE AGREEMENT" for an enumeration of the Listed Events.

Prior to July 2012 the City had failed to timely file certain annual reports, notices of failure to file annual reports, and notices of rating changes required to be filed pursuant to continuing disclosure agreements entered into by the City and the respective dissemination agents thereunder pursuant to Rule 15c2-12(b)(5) (the "Rule") of the SEC within the past five years. Other than the 2012/13 Audit which is being worked on now, since The February 2013 TRANS the City has made timely continuing disclosures.

See "CONTINUING DISCLOSURE" below for more information.

Investment Considerations and Risk Factors

THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. SEE "THE NOTES - SECURITY AND SOURCES OF PAYMENT FOR THE NOTES," "RISK FACTORS" AND "NO RATING" HEREIN. THE DISCUSSION OF RISK FACTORS HEREIN IS NOT, AND IS NOT INTENDED TO BE, COMPREHENSIVE OR EXHAUSTIVE.

Miscellaneous

The descriptions herein of the Resolution, the Accompanying Document, the Trust Agreement and the Direction Letter are qualified in their entirety by reference to such documents, and the descriptions herein of the Notes are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. Copies of the Resolution, the Accompanying Document, the Trust Agreement and the Direction Letter are on file and available for inspection at the City and from the offices of the Trustee at [U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services].

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Limited Offering Memorandum nor any sale made in connection therewith nor any future use of this Limited Offering Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The Underwriter (as defined herein) has reviewed the information in this Limited Offering Memorandum, but the Underwriter does not guarantee the accuracy or completeness of such information.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. The Owner of the Notes may obtain a copy of any such report, as available, from the City. Such reports are not incorporated herein by this reference.

THE NOTES

General

The Notes will be issued in the aggregate principal amount of \$_____, will be dated their date of issuance and delivery, and will mature on June 1, 2015. The Notes will bear interest at the rate per annum set forth on the cover page hereof, computed on the basis of a 360-day year comprised of 12 months of 30 days each. Interest on the Notes will be payable at maturity.

The Notes are not subject to redemption prior to maturity.

THE NOTES ARE NOT TRANSFERABLE EXCEPT TO AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE PURCHASERS OF THE NOTES WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER, THE FORM OF WHICH IS ATTACHED HERETO AS APPENDIX F.

The Trustee will serve as trustee, paying agent and note registrar for the Notes. The Notes are to be delivered as fully registered Notes, without coupons, and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as initial securities depository of the Notes. Purchase will be made in book-entry form only in the principal amount of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Security and Sources of Payment for the Notes

General. Under the Law, the Notes and the interest thereon are general obligations of the City payable from the taxes, income, revenues, cash receipts and other moneys of the City, including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the City, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for such special purpose) received or accrued by (or allocable to) the City during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (collectively, the "Unrestricted Revenues"). The Unrestricted Revenues include the 1% property tax labeled account number "132.01- City-Compton TD #1" by the County of Los Angeles Auditor/Controller, vehicle licensing fee revenues, and sales and use tax revenues collected by the County on behalf of the City (collectively, the "County Collected Revenues").

Pursuant to the Resolution and the Accompanying Document, and in accordance with the Law and the City Charter, the City will pledge from the Unrestricted Revenues available for the payment of principal of and interest on the Notes as security for the Notes, and the City Manager will cause to be deposited into the 2014-15 TRAns Repayment Fund created pursuant to the Accompanying Document and held in trust by the Trustee (the "Repayment Fund") (subject to the provisions of the Accompanying Document as described below), all County Collected Revenues allocated or attributable to the City until the amounts in the Repayment Fund equal the principal of and interest due on the Notes, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury. In accordance with the Direction Letter, the City will direct the Auditor-Controller of the County to transfer, and the Auditor-Controller of the County will transfer, the County Collected Revenues to the Trustee for deposit in the Repayment Fund. The terms of the Direction Letter are irrevocable and will not terminate until the amounts in the Repayment Fund equal the principal of and interest due on the Notes, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury.

To the extent that any amounts received, as described in the preceding paragraph, are less than the total dollar amount designated for such deposit in the Repayment Fund, the City Manager will cause to be deposited and the Trustee will deposit into the Repayment Fund additional amounts from any other moneys

of the City lawfully available therefor no later than the day immediately preceding the Maturity date. To the extent any Note is not paid from the County Collected Revenues, such Note will be paid with the interest thereon and from any other moneys of the City lawfully available therefor. As provided in the Law, the Notes and the interest thereon are a valid lien and charge against, and are payable from, the first moneys received by the City comprising Unrestricted Revenues.

On the Maturity Date of the Notes, the Trustee will pay from the County Collected Revenues the principal and interest due on the Notes, and such County Collected Revenues may not be used for any other purpose, although earnings may be invested in Permitted Investments as described in the Accompanying Document so as to be available for disbursement and in no event for a term that exceeds the term of the Notes, and earnings on amounts in the Repayment Fund will be deposited as and when received into the General Fund of the City. Any amounts remaining in the Repayment Fund after payment of principal of and interest on the Notes will be the sole and exclusive property of the City, will not be subject to any claims by or on behalf of any holder of Notes and will be transferred to the City for deposit into any account in the General Fund of the City as the City Manager may direct.

Please see "APPENDIX H: FORM OF ACCOMPANYING DOCUMENT" for more information and a complete description of the Security and Sources of Payment for the Notes.

County Collected Revenues. The following Table 1 sets forth the County Collected Revenues received by the City during Fiscal Years 2008-09 through 2012-13.

TABLE 1
City of Compton
County Collected Revenues ⁽¹⁾
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Property Tax⁽²⁾	VLF	Sales Tax	Total
2008-09	\$3,513,069	\$8,418,035	\$1,637,490	\$13,568,595
2009-10	3,271,805	8,203,159	1,485,420	12,960,385
2010-11	1,454,612	7,595,366	1,851,753	10,901,731
2011-12	2,999,362	7,682,171	1,439,626	12,121,159
2012-13	3,195,018	7,940,326	1,827,591	12,962,935

Source: City of Compton

⁽¹⁾ Unaudited.

⁽²⁾ Property Tax Revenues reflect collections from the 1% ad valorem property tax levy. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS — Article XIII A" in the forepart of the Limited Offering Memorandum.

Repayment Fund

In accordance with the provisions of the Resolution and the Accompanying Document, the City Manager will cause to be established by the Trustee the Repayment Fund, to be held in trust by the Trustee, and all County Collected Revenues are to be deposited with the Trustee into the Repayment Fund as required by the terms of the Resolution and the Accompanying Document. Moneys in the Repayment Fund are to be invested in Permitted Investments (as defined below) that provide sufficient liquidity so that moneys will be available no later than the Maturity Date of the Notes. Moneys in the Repayment Fund are to be used to pay the Notes and the interest thereon when and as they become due and payable, and amounts necessary to pay any rebate requirement as provided in the Resolution and the Accompanying Document, and may not be used for any other purposes. Any amounts remaining in the Repayment Fund after payment of principal of and interest on the Notes will be the sole and exclusive property of the City, will not be

subject to any claims by or on behalf of any holder of Notes and will be transferred to City for deposit into any account in the General Fund of the City as the City Manager may direct.

"Permitted Investments" consist of any of the following securities, provided that in no event shall any Permitted Investment mature or otherwise be repayable such that moneys will be available later than the Maturity Date: (i) United States Treasury bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest; (ii) direct obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority; (iii) mortgage backed securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association; (iv) United States Treasury Obligations, State and Local Government Series; (v) issues guaranteed as to timely payment of principal and interest by the full faith and credit of the Federal Deposit Insurance Corporation (clauses (i) through (v), "Federal Securities"); (vi) Commercial Paper having original maturities of not more than the Maturity Date of the Notes, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of \$500 million and having an "A" or better rating for the issuer's long term debt as provided by Moody's, S&P, or Fitch and "P-1", "A-1", "F1" or better rating for the issuer's short term debt as provided by Moody's, S&P, or Fitch, respectively; (vii) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which have short term obligations outstanding which are rated by two Rating Agencies in their respective highest short term rating categories, a long term debt rating of not less than "A" by a Rating Agency, and a maturity no later than the Maturity Date of the Notes; (viii) negotiable or non-negotiable certificates of deposit issued by a nationally or state chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's, or Fitch; (ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association, or a state licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short term debt rated by two Rating Agencies in their respective three highest short term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the Federal Securities and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment; (x) shares of beneficial interest issued by diversified management companies, known as money market funds which invest in securities described in clauses (i)—(ix) above, registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a 1 *et seq.*) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency; (xi) investment agreements and guaranteed investment contracts with issuers having a long term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively; (xii) the Los Angeles County Treasury Pool; or (xiii) the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State.

Available Sources of Repayment

As described above in "—Security and Sources of Payment for the Notes," the Notes, in accordance with the Law, are general obligations of the City payable from Unrestricted Revenues, which include the taxes, income, revenue, cash receipts and other moneys of the City received or accrued by (or allocable to) the City during Fiscal Year 2014-15 that are lawfully available for the payment of the Notes and interest thereon. The Constitution of the State substantially limits the City's ability to levy *ad valorem* taxes and

increase fees charged for services of the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" herein.

Additional Cash Flow Borrowing

The City currently expects that, other than the Notes, it will not issue any other notes or warrants for cash flow borrowing purposes with respect to Fiscal Year 2014-15.

Use and Investment of Note Proceeds

The net proceeds of sale of the Notes will be transferred to the Trustee and deposited in the 2014-15 TRANS Proceeds Fund established by the Trustee at the direction of the City Manager (the "Proceeds Fund"). The City Manager will cause the Trustee to make disbursements and the Trustee will make disbursements from the Proceeds Fund to pay Fiscal Year 2014-15 expenditures and discharge other obligations or indebtedness of the City in accordance with the Law and the instructions and agreements set forth in the Tax Certificate of the City. Amounts in the Proceeds Fund will be invested in Permitted Investments.

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company, New York, New York and its book-entry system has been obtained from sources the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes 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 note certificate will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on this website is not incorporated by reference herein.

Purchase of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of the Purchaser of the Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. The Beneficial Owner will not receive written confirmation from DTC of its purchase. The Beneficial Owner is, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of its holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. The Beneficial Owner will not receive a certificate representing its ownership interest in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

The Notes 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 the Notes 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 Owner of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owner. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to the Beneficial Owner will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Beneficial Owner of the Notes may wish to take certain steps to augment the transmission to it of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Resolution and the Accompanying Document. For example, the Beneficial Owner of the Notes may wish to ascertain that the nominee holding the Notes for its benefit has agreed to obtain and transmit notices to the Beneficial Owner. In the alternative, the Beneficial Owner may wish to provide its name and address to the Trustee and request that copies of notices be provided directly to it.

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

Principal and interest payments with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to the Beneficial Owner 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 or its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and premiums, if any, and purchase prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owner will be the responsibility of Direct and Indirect Participants.

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

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

In accordance with the Resolution and the Accompanying Document, in the event (a) DTC determines not to continue to act as securities depository for the Notes or (b) the City determines that DTC shall no longer so act, and delivers a written certificate to DTC to that effect, then the City will discontinue the book-entry system for the Notes with DTC. If the City determines to replace DTC with another qualified securities depository, the City will prepare or direct the preparation of and execute, and the Trustee will authenticate and deliver, subject to any limitation on maximum principal amount imposed by the successor securities depository, a new single, separate fully registered note for the aggregate outstanding principal amount of the Notes held by DTC, registered in the name of such successor or substitute qualified securities depository or its nominee, or make such other arrangement reasonably acceptable to the City and the successor securities depository. If the City fails to identify another qualified successor securities depository to replace DTC, then the Notes will no longer be restricted to being registered in the note register in the name of DTC or its nominee, but will be registered in whatever name or names the securities depository or its nominee designate. In such event the City will prepare or direct the preparation of and execute, and the Trustee will authenticate and deliver to the holders thereof, such Notes as are necessary or desirable in accordance with the Accompanying Document. Interested persons should contact the City or the Trustee for further information regarding such provisions of the Resolution and the Accompanying Document.

Each payment to DTC or its nominee will be valid and effective to satisfy and discharge fully the obligations of the City and the Trustee with respect to the principal of or interest on the Notes to the extent of the sum or sums so paid. The City may treat and consider the person in whose name the Note is registered in the note register as the absolute owner of such Note for purpose of payment of principal of and interest on such Note and for all other purposes whatsoever.

THE CITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNER OF THE NOTES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE NOTES, (II) CONFIRMATIONS OF OWNERSHIP INTERESTS IN THE NOTES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED HEREIN.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY, OBLIGATION OR LIABILITY TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY AMOUNT DUE TO THE BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE TO THE BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION OR THE ACCOMPANYING DOCUMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES.

CITY FISCAL CRISIS UPDATE

City Fiscal Update :

Based on current trends the City is on a path to recovery from the recent recession.. The City's core revenues such as sales, use, and property taxes are gradually rising.

The City's General Fund budget is balanced for the 2014-15 fiscal year with revenue of approximately \$53 million and expenses of approximately 52.9 million which is scheduled to add \$100, 000 to the City's fund balance of \$3,358,318, bringing the expected Fiscal Year 2015-16 beginning fund balance to \$3,458,318.

The City has operated with a balanced budget for three fiscal years, 2011-12, 2012-13, 2013-14 and is expected to have a balanced budget in 2014-15. The 2014-2015 budget is the first City budget since 2011 that does not necessitate reductions in services, programs, or employees. The 2014-2015 budget includes an increase in expenditures which includes a General Fund Payment for the Lease Revenue Bonds (\$1.3MM), an internal deficit repayment (\$1.2MM) and a restoration of funding for full employee labor costs. (No Furloughs)

In December 2012 the City modified the provisions of the Crystal Park Casino gaming license to provide for a reduced fee in light of the economic impact of the events of September 11th. In January 2012 the City returned to the original payment provisions of the gaming license with the Crystal Park Casino. In 2013-14, the first full year of receiving gaming revenue following the discontinuance of the post September 11th modification, the City received approximately \$2 million in gaming revenue. This represents an increase from the \$240,000 annual fee the City received under the modified payment arrangements.

Recent Economic Development news includes Trammell Crowe's purchase of a closed industrial facility, the Atkinson Brickyard site, a 59 acre industrial area. Trammel Crowe has indicated it plans to develop the site into a major e-commerce storage/transportation hub with office buildings.

-For fiscal years 2009 through 2013, total City-wide expenditures exceeded total City-wide revenues. In fiscal years 2009 through 2012, General Fund expenditures exceeded General Fund revenues. In fiscal years 2012-13 and 2013-14, General Fund revenues exceeded General Fund expenditures. The following Table 2 sets forth revenues and expenditures for Total Governmental Funds and the General Fund during Fiscal Years 2009-10 through 2013-14.

TABLE 2
Total Governmental Funds And General Fund
Revenues And Expenditures ⁽¹⁾
Fiscal Years 2008-09 Through 2012-13
(\$ in millions)

Fiscal Year	Total Governmental Funds			General Fund		
	Revenues	Expenditures	Surplus/(Deficit)	Revenues	Expenditures	Surplus/(Deficit)
2008-09	\$123.41	\$133.92	\$(10.51)	\$48.49	\$58.67	\$(10.18)

2009-10	137.18	184.64	(47.46)	61.15	70.00	(8.85)
2010-11	125.63	170.80	(45.17)	44.19	69.18	(24.99)
2011-12	149.86	162.27	(12.41)	44.35	47.98	(3.63)
2012-13	149.57	157.23	(7.66)	46.61	45.40	1.21

Source: City of Compton

⁽¹⁾ Excludes Transfers In and Transfers Out.

Fiscal Year 2011. As noted in the Independent Auditors' Report related to the City's financial statements for the fiscal year ended June 30, 2011 (the "2011 Financial Statements"), the City has suffered "substantial recurring losses in its General Fund." The 2011 Financial Statements evidence negative ending fund balances for the General Fund and certain enterprise and non-major governmental funds. During fiscal year 2011, the City temporarily borrowed from other City governmental funds and internal service funds (but not enterprise funds) and used certain certificate of participation proceeds to fund General Fund expenditures. In addition, during the 2011 fiscal year, the General Fund owed approximately \$28.3 million to other funds. The ending fiscal year 2011 negative General Fund balance of approximately \$41.2 million included, among other things, the net interfund liability of approximately \$28.3 million, the accounts payable in the amount of \$12.6 million, and accrued liabilities of approximately \$3.3 million. The Independent Auditors' Report related to the 2011 Financial Statements noted, among other things, that the amount of deficits, interfund liabilities, accounts payable and accrued liabilities within the General Fund indicated "significant liquidity problems" as of June 30, 2011.

Fiscal Year 2012. On December 20, 2011, the City Council approved a twenty year amortization schedule and authorized the repayment of approximately \$41.92 million that the City's General Fund owed to various internal funds of the City. All payments pursuant to this amortization schedule were paid when due. A second resolution was later adopted on ____, 2014 amending the amortization schedule, reducing the amortization schedule from a payment period of twenty years to fifteen years. This change was made pursuant to the advice of Macias Gini & O'Connell LLP ("MGO"), the City's independent auditor, hired on November 6, 2012. A copy of the resolution is attached hereto as APPENDIX K.

During the fiscal year ended June 30, 2012, the City continued to experienced stress on its general fund. The City's unaudited, internally prepared, financial statements for the fiscal year ended June 30, 2012, which are included as part of the City's Financial Report for the Month of June 2012 (the "2012 Financial Statements"), reflect for fiscal year 2012 total City-wide revenues of approximately \$149.86 million and total City-wide expenditures of approximately \$162.27 million, representing an approximately \$12.41 million deficit. The 2012 Financial Statements reflect General Fund revenues of approximately \$44.35 million and General Fund expenditures of approximately \$47.98 million for fiscal year 2012, representing an approximately \$3.63 million deficiency of revenues under expenditures.

Fiscal Year 2013. During the fiscal year ended June 30, 2013, the City Council adopted measures projected to reduce expenditures and increase revenues. Those projections were expected to result in a General Fund deficit of approximately \$1.9 million as of June 30, 2013. However, the City's General Fund experienced an actual *surplus* of revenues over expenditures in an amount equal to approximately \$1.2 million for Fiscal Year 2013. However, as of June 30, 2013, the City's General Fund still suffered from a cumulative negative fund balance of approximately (\$29,353,134). The cumulative negative fund balance of approximately (\$29,353,134) did not reflect an additional approximately \$13.8 million that a related fund titled the General Liability Income Fund owed to the

Pooled General Checking Account. Including the General Liability Income Fund the combined cumulative total amount owed to other funds and accounts of is approximately (\$43.15 million).

Fiscal Year 2014. For the fiscal year ending June 30, 2014, the City approved a budget projecting a General Fund surplus of revenues over expenditures of approximately \$695,000. However, based upon unaudited, internally prepared, financial statements for the fiscal year ended June 30, 2014, which are included as part of the City's Financial Report for the Month of May 2014, the City now projects a General Fund surplus of revenues over expenditures of approximately \$1,500,000. The City continues to consider and implement best practices whenever possible and examine ways to enhance revenue and contain costs in order to continue building the fund balance.

No assurance can be made, however, that such efforts of the City will be successful in improving the City's financial condition. See "RISK FACTORS — Enforceability of Remedies" herein.

See APPENDIX C-1: "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011," APPENDIX C-2: "CITY OF COMPTON AUDITED FINANCIALS FOR THE FISCAL YEAR ENDING JUNE 2012," and APPENDIX C-3: "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND C-4 "CITY OF COMPTON FINANCIAL REPORT FOR THE MONTH OF MAY 2014" attached hereto for more information related to the City's financial results for the fiscal year ended June 30, 2011, fiscal year ended June 30, 2012, for the fiscal year ended June 30, 2013, for the fiscal year ended June 2014 through May 31, 2014.

Allegations of Waste, Fraud, and Abuse of Public Monies

In December 2011, the Mayor of the City sent a letter to the State Controller alleging waste, fraud, and abuse of public monies. Mayer Hoffman McCann, P.C., the independent accounting firm retained to audit the City's financial statements for the fiscal year ended June 30, 2011 (the "2011 Financial Statements"), did not receive responses to audit inquiries it posed to the Mayor.

On June 27, 2012, Mayer Hoffman McCann, P.C. issued its Independent Auditors' Report stating that it was "unable to determine the financial impact of [the Mayor's] allegation on the [2011 Financial Statements]" and that the City "did not take steps necessary to evaluate the financial impact of the allegation made, nor did the Mayor of the City of Compton respond to audit inquiries made." The Independent Auditors' Report states that Mayer Hoffman McCann, P.C. was "unable to satisfy [itself] about these matters by means of other audit procedures" and that, because of the significance of such matters, "the scope of [its] work was not sufficient to enable [it] to express, and [it does] not express, an opinion on [the 2011 Financial Statements]." The Independent Auditors' Report also stated that the 2011 Financial Statements "have been prepared assuming that the City will continue as a going concern" and cited "substantial doubt about the City's ability to continue as a going concern." Following the issuance of its Independent Auditors' Report, Mayer Hoffman McCann, P.C. resigned from its position as auditor.

Following Mayer Hoffman McCann, P.C.'s resignation, the City engaged MGO on November 6, 2012 pursuant to a Professional Services Agreement dated January 31, 2013 to investigate the Mayor's allegations of waste, fraud, and abuse of public monies. MGO conducted five separate audits to determine whether problems exist with respect to the City's internal controls and procedures. MGO completed its investigation and released five separate reports. MGO found no waste, fraud or abuse in any of the five areas of concern. MGO did however, make recommendations to improve operations. As part of the City's commitment to utilizing best practices, the City continues to consider the recommendations and adopt recommended practices and procedures whenever appropriate. A copy of each of the five reports is attached hereto as Appendix K.

Impact on Availability of Financial Statements

The City's 2011 Financial Statements and the Independent Auditors' Report related thereto are attached hereto as Appendix C-1. Because Mayer Hoffman McCann, P.C. did not express an opinion on the 2011 Financial Statements, the City Council of the City of Compton resolved in May 2013 to retain unchanged the 2011 Financial Statements with the Mayer Hoffman McCann, P.C. "no-opinion" report included. It is noteworthy that the California State Controller stated in a letter dated February 12, 2013 that the City's "audit satisfies all financial and compliance audit requirements under individual federal award programs." A copy of said letter may be found on page 56 of materials found at the following website: http://www.comptoncity.org/agenda/2013/05_2013/131405/21098205092013074429372.pdf.

The City's audited Financial Report for the Fiscal year ending June 30, 2012 is attached hereto as Appendix C-2. The City's unaudited, internally prepared, Financial Report for the Month of June 2013, which includes financial information through June 30, 2013, is attached hereto as Appendix C-3. The City's unaudited, internally prepared, Financial Report for the Month of May 2014, which includes financial information through May 31, 2014, is attached hereto as Appendix C-4.

Impact on Ratings

In September 2012, Standard & Poor's Rating Services ("Standard & Poor's"), which has rated the City's outstanding lease revenue, water and sewer bonds, and the City's redevelopment agency tax allocation debt, announced that it had suspended its long-term and underlying ratings on such bonds because the City had yet to obtain an audit firm to provide an opinion on the fair presentation of and application of generally accepted accounting principles to the 2011 Financial Statements. In November 2012, Moody's Investors Service, Inc. ("Moody's"), which rated the City's Series 1998 sewer enterprise revenue refunding bonds, announced that it too had suspended its rating of such bonds due to a lack of or inadequate information to support the rating. No assurance can be given as to when or if Standard & Poor's or Moody's will reinstate their ratings on the City's bonds or if such a rating will reflect a change from the City's most recent rating.

RISK FACTORS

The following information should be considered by the Purchaser in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of such factors.

No Rating

NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. SEE "THE NOTES — SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" HEREIN.

Limited Transfer or Exchange of Notes

Pursuant to the Resolution and the Accompanying Document, the Notes may not be transferred or exchanged except to an "accredited investor" as defined in Rule 501 of the Securities Act. The purchasers of the Notes will be required to execute an investment letter, the form of which is attached hereto as Appendix F. The Resolution and the Accompanying Document contain additional restrictions on transfer and exchange of the Notes. A signed copy of the Resolution and the form of the

Accompanying Document are included as exhibits to this Limited Offering Memorandum and each should be reviewed carefully prior to making an investment in the Notes.

City Fiscal Crisis

As discussed above in "CITY FISCAL CRISIS," the City has experienced recurring losses in its General Fund for the 2009 through 2012 fiscal years, and has deficit balances in its General Fund, enterprise funds, and non-major governmental fund. The City has also experienced challenges with respect to obtaining audited financial reports for the 2011 and 2012 fiscal years. As of _____, 2014 the City has now received the audited financial report for the Fiscal Year ending June 30, 2012.

The Notes are general obligations of the City payable only out of Unrestricted Revenues received or accrued by (or allocable to) the City during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon. However, continued liquidity constraints affecting the City and the General Fund could have a material adverse effect on the City's ability to pay principal of and interest on the Notes when due in the event Unrestricted Revenues received or accrued by (or allocable to) the City during Fiscal Year 2014-15 are insufficient.

See "CITY FISCAL CRISIS" and "RISK FACTORS — Enforceability of Remedies" herein.

Current and Future Obligations

The City is currently liable and may become liable on other obligations payable from General Fund revenues, such as employee salaries and benefits. To the extent that additional obligations are incurred by the City, the revenues available for the City to pay such obligations may be decreased subsequent to the payment of principal of and interest on the Notes when due. See "APPENDIX A: FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF COMPTON" attached hereto for a description of certain other obligations of the City, including its unfunded accrued actuarial liabilities with respect to post-employment benefits.

No Liability of County

No County funds are pledged to the payment of principal of and interest on the Notes. The County Collected Revenues are received by the County on behalf of the City and will be deposited as provided in the Direction Letter into the Repayment Fund held in trust by the Trustee under the Trust Agreement.

Enforceability of Remedies

The rights of the Owner of the Notes are subject to the limitations on legal remedies against cities and counties 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 Owner of the Notes, and the obligations incurred by the City, 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 hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the 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 and counties in the State. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal, State or City government, could subject the Owner of the Notes to judicial discretion and interpretation of its rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of rights. The opinion

of Bond Counsel to the City, the proposed form of which is attached hereto as "APPENDIX D: FORM OF OPINION OF BOND COUNSEL", is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. See "CITY FISCAL CRISIS" and "RISK FACTORS — City Fiscal Crisis" herein.

Los Angeles County Treasury Pool

The Los Angeles County Treasury Pool is among the Permitted Investments in which Note proceeds may be invested. See "THE NOTES — Repayment Fund" herein. On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The Trustee will be in possession of certain Unrestricted Revenues that are pledged and will be set aside to repay the Notes and, following payment of these funds to the Trustee, these funds may be invested in the name of the Trustee for a period of time in the Los Angeles County Treasury Pool, a Permitted Investment. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the Owner of the Notes does not have a valid and prior lien on such pledged amounts where such amounts are deposited in the Los Angeles County Treasury Pool and may not provide the Owner with a priority interest in such amounts. Such pledged amounts may not be available for payment of principal of and interest on the Notes unless the Owner could "trace" the funds from the Repayment Fund that have been deposited in the Los Angeles County Treasury Pool. There can be no assurance that the Owner of the Notes could successfully so "trace" the pledged amounts.

Taxation of Notes

An opinion of Gonzalez Saggio & Harlan LLP, Bond Counsel, has been obtained to the effect that, subject to the limitations and conditions described herein, interest on the Notes is exempt from present State of California personal income taxes, is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion contains greater detail, and is subject to exceptions, as noted in "TAX MATTERS" herein. See "APPENDIX D: FORM OF OPINION OF BOND COUNSEL."

An application for a ruling from the Internal Revenue Service regarding the tax-exempt status of the interest on the Notes has not been made, and an opinion of counsel is not binding upon the Internal Revenue Service. The opinion of Gonzalez Saggio & Harlan LLP, Bond Counsel, is based upon certain representations made by the City, officials of the City. If these representations or opinions are incorrect, interest on the Notes could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The opinion of Bond Counsel is subject to the condition that the City comply with all requirements of the Code, compliance with which subsequent to the issuance of the Notes is necessary in order that the interest thereon be, and continue to be, excludable from the gross income of the owners thereof for federal income tax purposes. There can be no guarantee that the City will not violate such requirements and thereby cause interest on the Notes to become includable in gross income for federal income tax purposes, in some cases retroactive to the date of issuance of the Notes. In addition, there can be no guarantee that present advantageous provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the Notes includable in gross income for federal income tax purposes. Gonzalez Saggio & Harlan LLP, Bond Counsel, has expressed no opinion

regarding any other federal tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, the acquisition or disposition of, or otherwise arising with respect to, the Notes. For a description of collateral federal income tax consequences to certain taxpayers, see "TAX MATTERS" herein.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Article XIII A further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district or county, as appropriate, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Limited Offering Memorandum (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article **XIII B** to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, 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 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 pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for a county in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the county's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to

the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

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

The City's maximum appropriation limit for the Fiscal Year 2014-15 is approximately \$89 million. The limitation applies only to proceeds of taxes and therefore does not apply to regulatory licenses, user charges, user fees and service fees and charges that do not exceed the reasonable cost of services, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. City Council will consider a resolution regarding the appropriations limit for Fiscal Year 2014-15 that will project proceeds of taxes for Fiscal Year 2014-15 in an amount below the Article **XIII B** limit.

Proposition 62

Proposition 62 was adopted by the California voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino* ("*Guardino*"), upheld the constitutionality of Proposition 62. In *Guardino*, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively. Since the adoption of Proposition 62, the City has enacted increases in taxes in compliance therewith.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("*La Habra*"). In *La Habra*, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes that are subject to Proposition 62

is three years. Accordingly, a challenge to a tax that is subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought. The City does not believe that any of its taxes are subject to Proposition 62.

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the City, to impose and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges, which are among the sources of the County Collected Revenues pledged to the payment of principal of and interest on the Notes. However, other than any impact resulting from the exercise of this initiative power, the City does not presently believe that the potential impact on the financial condition of the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to pay principal of and interest on the Notes and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote of the electorate and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. The City does not believe that any existing taxes imposed by the City, the proceeds of which are deposited into the City's General Fund will be affected by the voter approval requirements of Proposition 218. The City believes that the voter approval requirement of Proposition 218 reduces the flexibility of the City to raise revenues for the General Fund. No assurances can be given that the City will impose, extend or increase such taxes in the future to meet increased expenditure needs.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The City is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the City, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts. In most instances, in the event that the City is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the City anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the City to pay the principal of and interest on the Notes, as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services to avoid new costs for the City General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also added several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem tax*, a special tax, or an assessment, imposed by an agency (subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIII C) upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. The City does not expect to collect such fees or charges in Fiscal Year 2014-15. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, the revenues and proceeds of which comprise a significant part of the City's General Fund.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government

authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition IA generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1 A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition IA also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition IA requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See " — Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition IA of 2004. See " — Proposition IA" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The City does not believe that Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2014-15.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See " — Proposition 218" herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the City's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition I A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be predicted by the City.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Gonzalez Saggio & Harlan LLP Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Notes is exempt from present State of California personal income taxes, is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion contains greater detail, and is subject to exceptions. See "APPENDIX D: FORM OF OPINION OF BOND COUNSEL."

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Notes, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on such Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and

casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

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

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

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, sale, execution and delivery by the City of the Notes are subject to the approval of Gonzalez Saggio & Harlan LLP, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Limited Offering Memorandum. Certain other legal matters will be passed upon for the City by the City Attorney, by the City's Disclosure Counsel, Gonzalez Saggio & Harlan LLP, Los Angeles, California, and for the underwriter by its counsel Bell & Washington, Atlanta, Georgia.

FINANCIAL ADVISOR

The City has retained Comer Capital Group, LLC, of Jackson, Mississippi, as financial advisor (the "Financial Advisor") in connection with the issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Limited Offering Memorandum.

Corner Capital Group, LLC is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities.

UNDERWRITING

Under the Bond Purchase Agreement, IFS Securities, Inc., Atlanta, Georgia (the "Underwriter"), will purchase the Notes at a price of _____, less an Underwriter's discount of five percent (5%). The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes. The Underwriter may offer and sell Notes to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers.

The City has agreed to indemnify the Underwriter against certain civil liabilities, including certain liabilities under federal securities laws. Under existing statutes, regulations, and court decisions, the enforceability of such an agreement to indemnify is uncertain.

LITIGATION

No litigation is pending or, to the best of the knowledge of the City, threatened concerning the validity of the Notes, and an opinion of the City Attorney to that effect will be furnished to the Purchaser at the time of the original delivery of the Notes. The City is not aware of any litigation pending or threatened questioning its political existence or contesting its ability to levy and collect *ad valorem* taxes or to collect or receive the County Collected Revenues or contesting its ability to pay the principal of and interest on the Notes. However, the City is routinely involved in certain disputes relating to its day-to-day operations. See "APPENDIX A: FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF COMPTON — OTHER FISCAL INFORMATION — Litigation" attached hereto.

NO RATING

NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. SEE "THE NOTES — SECURITY AND SOURCES OF PAYMENT FOR THE NOTES", "CITY FISCAL CRISIS" AND "RISK FACTORS" HEREIN.

CONTINUING DISCLOSURE

The City has agreed in the Resolution and has covenanted in the Continuing Disclosure Agreement for the benefit of the Owner of the Notes to provide notices of the occurrence of certain Listed Events. Pursuant to the Continuing Disclosure Agreement, the notices of Listed Events will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system or to another repository designated by the MSRB or the SEC within 10 Business Days. The City's obligations under the Continuing Disclosure Agreement will terminate upon payment in full of all of the Notes without any requirement to provide notice to the Owner of the Notes. If such termination occurs prior to the final maturity of the Notes, the City will give notice of such termination in the same manner as for a Listed Event. See "APPENDIX E: FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

During the past four fiscal years, the City has failed to timely file certain annual reports, notices of failure to file annual reports, and notices of rating changes required to be filed pursuant to continuing disclosure agreements entered into by the City and the respective dissemination agents thereunder pursuant

to the Rule for the City's Sewer Revenue Refunding Bonds, Series 1998 (the "Series 1998 Sewer Bonds"), Sewer Revenue Bonds, Series 2009 (the "Series 2009 Sewer Bonds"), and Water Revenue Bonds, Series 2009 (the "Series 2009 Water Bonds" and, together with the Series 2009 Sewer Bonds, the "Series 2009 Bonds"). Although they were filed past the due date, the City has filed its financial information in accordance with the continuing disclosure agreements related to the Series 1998 Bonds and the Series 2009 Bonds for fiscal years 2009 through 2012, but the City has not filed certain additional operating data required by the continuing disclosure agreement related to the Series 1998 Bonds for the 2010 through 2012 fiscal years. And, although the City failed to file certain notices within the time required by the continuing disclosure agreements, the dissemination agent for the City has notified the MSRB of those failures, and the dissemination agent for the City has also filed the required notices (i.e. a Notice of Rating Change related to Standard & Poor's and Moody's rating withdrawals on the Series 1998 Sewer Bonds and the Series 2009 Bonds was posted on EMMA on December 11, 2012).

In addition to the City's continuing disclosure obligations related to the Series 1998 Bonds and the Series 2009 Bonds, the City was required to file monthly financial information with EMMA related to the City's financial results for the months of February through May, 2013 in connection with the City's issuance of its 2012-13 Tax and Revenue Anticipation Notes, Series A. The City timely filed those required monthly disclosure reports.

See <http://emma.msrb.org> for a complete history of the City's continuing disclosure filings.

FINANCIAL STATEMENTS

APPENDIX C-1: "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011," APPENDIX C-2, "CITY OF COMPTON AUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 2012," APPENDIX C-3: "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE MONTH OF JUNE 2013" AND C-4: "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE MONTH OF MAY 2014" are attached hereto.

Please note that Mayer Hoffman McCann, P.C.'s Independent Auditors' Report related to the 2011 Financing Statements expresses no opinion on whether the 2011 Financial Statements present fairly, in all material respects, the financial position of the City at June 30, 2011 and certain related matters. Please see "CITY FISCAL CRISIS" above for more information.

The City's Financial Report for the Month of June 30, 2011, the City's Financial Report for the Month of June 30, 2013 and the City's Financial Report for the Month of May 31, 2014 reflect unaudited financial data prepared by the City Controller that has not been reviewed by an independent auditor. No assurances can be given that the review of the City's financial data by an independent auditor will yield the same or similar results.

The City has not requested nor has the City obtained the consent of Mayer Hoffman McCann, P.C. to the inclusion of its report attached hereto as Appendix C-1. Further, the inclusion of its report as Appendix C-1 does not purport to reflect any change with respect to statements set forth in the Independent Auditor's Report or any information set forth in the 2011 Financial Statements. Mayer Hoffman McCann, P.C. has not been engaged to perform and has not performed, since the date of the Independent Auditor's Report and the 2011 Financial Statements included herein, any procedures on the financial statements addressed in that report. MGO is the City's current independent auditor. MGO was engaged to perform the City's audit for the Fiscal Year ending June 30, 2012 and has now completed and

released its audit for the Fiscal Year ending June 30, 2012. However, the City has not requested nor has the City obtained the consent of MGO to the inclusion of its reports attached hereto at Appendix C. Neither MGO nor Mayer Hoffman McCann, P.C. has been requested to perform and neither has performed any procedures relating to this Limited Offering Memorandum.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Limited Offering Memorandum is not to be construed as a contract or agreement between the City and the Purchaser of the Notes. Any statements made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion 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.

The execution and delivery of this Limited Offering Memorandum have been duly authorized and approved by the City Council of the City.

CITY OF COMPTON, CALIFORNIA

By: _____

City Manager

[Signature Page to Limited Offering Memorandum]

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APPENDIX A

**FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION
REGARDING THE CITY OF COMPTON**

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GENERAL

Overview

The City of Compton (the "City") is located in the geographical center of the County of Los Angeles (the "County") in the State of California (the "State"), between the greater Los Angeles and Long Beach metropolitan areas. The City has approximately 97,549 residents as of January 1, 2013 and encompasses an area of approximately 10.2 square miles. The City is a community consisting of commercial, residential and light industrial areas. Several freeways and highways cross through the City, making it accessible for industrial, manufacturing and commercial enterprises. In addition, the City is within a short distance of several major national and international airports.

City Government

The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. It was founded in 1887, was incorporated on May 11, 1888 and, subsequently, adopted a City Charter (as amended, the "City Charter"). The City Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council (the "City Council"); the powers and duties of the executive and administrative branches; fiscal administration; and public utilities and franchises. The City operates with a Council-Manager form of government. The City Council appoints the City Manager (the "City Manager"), who is the chief executive officer and the head of the administrative branch of the City government, implements City Council directives and policies, and is responsible to the City Council for the proper administration of all affairs of the City (except such matters for which elective officers are made responsible by the City Charter). The City Manager manages the administrative and operational functions through the various department heads. The City Council governs the City and is composed of five members who must be registered voters of the City, four who are residents of their respective City Council districts and nominated and elected only by the 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"). The City Council also appoints the City Controller, who supervises current inventories of all property and the disbursement of all monies, among other responsibilities.

The Mayor is the presiding officer of the City Council and is the official head of the City. Pursuant to the City Charter, the Mayor has a voice and a vote in all proceedings of the City Council and is the official head of the City for all ceremonial purposes. Further, the Mayor is required to perform such other duties as may be prescribed by the City Charter or as may be imposed by the City Council consistent with his office. In addition to the Mayor, the 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. The terms of office of (i) the members of the City Council residing in Districts 2 and 3, the Mayor, City Clerk, City Treasurer and City Attorney and (ii) the members of the City Council residing in Districts 1 and 4, are staggered at two-year intervals.

The members of the City Council and the expirations of their respective terms are as follows:

CITY OF COMPTON CITY COUNCIL

Name	Title	Term Expires
Aja Brown	Mayor	June 30, 2017
Janna Zurita	Councilmember	June 30, 2015
Yvonne Arceneaux	Councilmember	June 30, 2017
Isaac Galvan	Councilmember	June 30, 2017
Dr. Willie O. Jones	Councilmember	June 30, 2015

The terms of Craig J. Cornwell, the current City Attorney, Alita Godwin, the current City Clerk, and Douglas Sanders, the current City Treasurer, expire in June 2017. There are no term limits for the Mayor or the other elected officials. The current Mayor of the City, Aja Brown, is serving his first term.

The City Council appointed G. Harold Duffey to serve as City Manager in June 2012. Mr. Duffy has served since that appointment as City Manager. The City Manager is empowered and required by the City Charter to appoint and remove, subject to the civil service provisions of the City Charter, all department heads of the City (except elective officers and those the power of appointment of whom is vested in the City Council) and pass upon and approve all proposed appointments and removals of subordinate employees by department heads. The City Manager must also prepare the City budget annually and submit it to the City Council, and is responsible for its administration after adoption. The City Charter also requires the City Manager to prepare and submit to the City Council as of the end of each fiscal year a complete report on the finances and administrative actions of the City for the preceding year, and advise the City Council of the financial condition and future needs of the City and make recommendations thereon.

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under State law. These services include public safety (police and fire), sanitation, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

FINANCIAL AND ECONOMIC INFORMATION

City Budget

General. The City has an annual budget cycle. The City utilizes the fund accounting method of financing reporting for its budgets. The City Charter requires that the City Council adopt a budget (the "City Budget") annually by the June 30 preceding the start of the fiscal year on July 1. Pursuant to the City Charter, the City Manager is responsible for preparing the City Budget annually and submitting it to the City Council for approval.

The City Charter specifies that at such date as the City Manager shall determine, the City Manager, or an officer designated by him, must obtain from each department head estimates of revenue and expenditure for such department, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed City Budget, the City Manager must review the estimates and hold conferences thereon with the department heads, respectively, and may revise the estimates as he may deem advisable. Prior to the beginning of each fiscal year, the City Manager is required to submit to the City Council the proposed City Budget. After reviewing the proposed City Budget and making such revisions as the City Council may deem advisable, the City Council will hold a public hearing on the proposed City Budget. Upon final adoption, the City Budget will be in effect for the ensuing fiscal year. At any meeting after the adoption of the City Budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least four members of the City Council.

Revenues for the City's General Fund (the "General Fund") are derived from such sources as taxes and special assessments, licenses and permits, intergovernmental revenues, fines, forfeitures and penalties, use of money and property, charges for services, and other revenue. General Fund expenditures and encumbrances are classified by the functions of general government, those being public safety, public works, and environmental and human services, and by debt service.

The City receives a portion of its revenues from the State. Accordingly, the City is partially dependent upon the State budget and payments made or appropriated by the State to the City for various programs. See "STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION" herein for a description of the proposed State budget for Fiscal Year 2014-15, the May 2013 revision to the proposed State budget for Fiscal Year 2014-15 and the adopted State budget for Fiscal Year 2014-15. No assessment can be made by the City as to the significance of budgetary problems that may affect the State in Fiscal Year 2014-15,

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including any measures that may be taken by the State to balance its budget. There can be no assurances that future State budgets or amendments to the 2014-15 State Budget Act (defined herein) will not place additional burdens on local governments, including the City, or will not significantly reduce revenues to such local governments, and the City cannot predict the ultimate impact of future State budgets or amendments to the 2014-15 State Budget Act, if any, on the City's financial situation.

Fiscal Year 2014-15 City Budget. The City Council adopted the City Budget for Fiscal Year 2014-15 (the "Fiscal Year 2014-15 City Budget") on June 30, 2014. City staff created the fiscal year 2014-15 budget by performing a complete "budget scrub," which consists of allocating appropriate costs to non general fund accounts, elimination of automatic rollover programs from one fiscal year to the next and zeroing out accounts and moving unused balances to the City's general fund balance. Staff is confident in the baseline revenue, as it was derived from nine months worth of closely watched revenues from fiscal year 2013-2014.

The City of Compton's General Fund budget is a balanced budget for the Fiscal Year ending June 30 2015, with revenue of \$53,009 million and expenses of approximately \$52,982 million, leaving a projected surplus of revenues over expenditures of \$27,000. The revenue estimates include baseline revenue for approximately \$48.5 million, garnered from traditional revenue, such as sales, use and property taxes. Staff anticipates that additional revenue will be gained from implementation of the City's Cost Allocation Plan (CAP), revenue enhancements, liquidation of assets, new fees and Public Private Partnerships.

The City's fiscal year 2014-15 budget may be viewed in its entirety at the following website: [http://www.comptoncity.org/images/stories/dept/cm/Revised Proposed Budget 2013-2014.pdf](http://www.comptoncity.org/images/stories/dept/cm/Revised%20Proposed%20Budget%202013-2014.pdf).

Adopted General Fund Budgets. The following Table 1 sets forth the City's adopted budgets for the General Fund for Fiscal Years 2009-10 through 2013-14.

TABLE 1
CITY OF COMPTON
GENERAL FUND ANNUAL BUDGETS
Fiscal Years Ended June 30, 2009 through June 30, 2015⁽¹⁾

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
REVENUES:						
Property Taxes	\$29,481,892	\$27,190,717	\$3,518,036	\$3,517,468	\$3,064,804	\$3,884,958
Other Taxes			20,312,036	20,602,505	22,835,907	22,658,385
Licenses, Permits & Franchises	3,640,112	3,904,859	2,732,912	2,872,221	3,134,390	4,606,615
Fines, Forfeitures & Penalties	2,261,030	2,167,143	1,656,128	1,656,165	1,412,429	1,427,806
Use of Money and Property	4,430,741	933,729	159,043	156,827	174,300	181,306
Intergovernmental Revenues	8,927,727	8,804,326	9,366,844	8,039,350	8,049,350	8,770,478
Charges for Services	11,553,017	10,308,582	6,821,034	5,421,920	8,784,003	8,628,921
Miscellaneous	2,426,703	4,528,700	443,943	351,781	1,249,873	2,851,272
TOTAL REVENUES	\$62,721,222	\$57,838,056	\$45,009,976⁽²⁾	\$42,618,237	\$48,705,056	\$53,009,741
EXPENDITURES:						
General Government	\$ 8,350,790	\$20,427,629	\$ 6,526,581	\$ 7,898,119	\$ 7,551,065	\$10,505,280
Public Protection/Safety	16,319,069	32,426,124	30,954,291	31,377,445	31,603,478	29,393,023
Public Assistance						
Public Ways and Facilities/						
Public Works	1,331,289	927,049	1,068,734	1,045,851		
Management Services	28,127,441	--	6,850,755	6,751,230	6,189,450	6,623,879
Health and Sanitation						
Environmental and Human Services	7,705,292	5,689,142	3,842,029	4,068,768	2,175,642	3,225,409
Education						
Recreation						
Debt Service	252,926	487,912	482,838	490,000	490,000	2,949,944
TOTAL EXPENDITURES	\$62,086,807	\$59,957,856	\$49,725,228	\$51,631,413	\$48,009,635	\$52,897,535
EXCESS (DEFICIENCY) OF						
REVENUE OVER (UNDER)						
EXPENDITURES	\$ 634,415	\$(2,119,800)	\$(4,715,228)	\$(9,013,176)	\$ 695,421	\$112,206
OTHER FINANCING SOURCES						
(USES):						
Transfers In		\$	\$			
Transfers Out				(100,575)		(84,950)
TOTAL OTHER FINANCING						
SOURCES (USES)	\$	\$	\$	\$ (100,575)	\$	(84,950)
NET CHANGE IN FUND	\$ 634,415	\$ (2,119,800)	\$(4,715,228)	\$(9,113,751)	\$695,421	\$27,256
FUND BALANCES,						
BEGINNING OF YEAR	\$(2,586,510)	\$(14,607,702)	\$(41,222,801)	\$(45,938,053)	\$(55,051,804)	\$(54,356,383)
FUND BALANCES (DEFICIT),						
END OF YEAR	\$(1,959,467)	\$(16,727,502)	\$(45,938,053)	\$(55,051,804)	\$(54,356,383)	\$(54,329,127)

Source: City of Compton Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2009, City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2010, and City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011; City Manager for Fiscal Years ended June 30, 2012 through June 30, 2014.

Reflects the original City Budget for Fiscal Years 2008-09 through 2010-11. Reflects the revised adopted City Budget for Fiscal Year 2014-15. The decline in projected revenues reflects, among other things, an assumption that the City would not receive approximately \$6 million in revenues from billboard advertisements.

Financial Statements

As discussed in "CITY FISCAL CRISIS" and "FINANCIAL STATEMENTS" in the forepart of this Limited Offering Memorandum, the City's 2011 Financial Statements is attached hereto as Appendix C-1. The Independent Auditors' Report related thereto is included within the financial statement. Because Mayer Hoffman McCann, P.C. did not express an opinion on the 2011 Financial Statements, the City Council of the City of Compton resolved in May 2013 to retain unchanged the 2011 Financial Statements with the Mayer Hoffman McCann, P.C. "no-opinion" report included. It is noteworthy that the California State Controller stated in a letter dated February 12, 2013 that the City's "audit satisfies all financial and compliance audit requirements under individual federal award programs." A copy of said letter may be found on page 56 of materials found at the following website: http://www.comptoncity.org/agenda/2013/05_2013/131405/21098205092013074429372_.pdf

The City's audited Financial Report for the Fiscal year ending June 30, 2012 is attached hereto as Appendix C-2. The City's unaudited, internally prepared, Financial Report for the Month of June 2013, which includes financial information through June 30, 2013, is attached hereto as Appendix C-3. The City's unaudited, internally prepared, Financial Report for the Month of May 2014, which includes financial information through May 31, 2014, is attached hereto as Appendix C-4. The information that follows is taken, in part, from unaudited financial information prepared by City officials, and will be designated as such by footnote.

The following Table 2 sets forth the City's Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2006-07 through 2010-11. The information below for the fiscal years 2007 through 2010 has been taken from audited financial statements. The information below for the fiscal year 2011 has been taken from unaudited financial information.

TABLE 2
CITY OF COMPTON
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years Ended June 30, 2007 through 2011

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011 ¹
REVENUES					
Taxes and Special Assessments	\$24,589,368	\$25,582,647	\$26,450,609	\$24,378,801	\$24,241,363
Licenses and Permits	3,482,928	3,548,748	3,817,856	3,150,629	2,744,778
Intergovernmental Revenues	7,768,934	8,395,916	8,747,907	8,657,535	8,308,736
Fines, Forfeitures, and Penalties	1,976,981	1,798,654	1,983,459	1,605,833	1,969,371
Use of Money and Property	1,610,702	1,643,975	3,991,806	4,299,824	5,732,298
Charges for Services	3,625,590	3,937,120	3,502,274	19,059,834	1,137,827
Other	365	25,755	--	--	57,798
Total Revenues	\$43,054,868	\$44,932,815	\$48,493,911	\$61,152,456	\$44,192,171
EXPENDITURES:					
Current					
General Government	\$ 4,166,235	\$ 5,612,087	\$ 9,394,659	\$12,921,631	\$27,069,866
Public Safety	25,210,879	29,954,442	17,319,774	19,120,740	34,681,857
Public Works	1,231,441	1,505,406	1,565,979	1,240,249	990,269
Management Services	6,913,760	8,250,246	29,249,649	30,952,977	
Environmental And Human Services	1,574,491	3,542,651	4,047,431	5,491,752	6,111,857
Debt Service					
Principal		231,573	203,362	172,137	325,374
Interest and Fiscal Charges		139,469	86,517	103,506	2,380
Total Expenditures	\$39,096,806	\$49,235,874	\$61,867,371	\$70,002,992	\$69,181,603
Excess (Deficit) of Revenues					
Over/ (Under) Expenditures	\$3,958,062	\$(4,303,059)	\$(13,373,460)	\$(8,850,536)	\$(24,989,432)
OTHER FINANCING SOURCES					
(USES)					
Transfers In			\$ 3,114,721	\$ 231,986	\$ 88,909
Transfers Out	(3,921,346)	(6,335,485)	(4,107,813)	(3,402,642)	(1,714,576)
Total Other Financing Sources (Uses)	\$(3,921,346)	\$(6,335,485)	\$_(993,092)	\$(3,170,656)	\$(1,625,667)
Net Change in Fund Balances	\$ 36,716	\$(10,638,544)	\$(14,366,552)	\$(12,021,192)	\$(26,615,099)
Fund Balance — Beginning	\$22,381,870	\$22,418,586	\$11,780,042	\$(2,586,510)	\$(14,607,702)
Fund Balance — Ending	\$22,418,586	\$11,780,042	\$(2,586,510)	\$(14,607,702)	\$(41,222,801)

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2007; City of Compton Annual Financial Report for Fiscal Year ended June 30, 2008; City of Compton Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2009, City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2010, City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011

(1) Unaudited.

#11.

The following Table 3 sets forth certain summarized information related to the City's revenues and expenditures for Fiscal Years 2011-12 and 2012-13. The information below has been taken from unaudited financial reports prepared by the City, which are attached to the Limited Offering Memorandum as APPENDIX C-2 and C-3.

TABLE 3
CITY OF COMPTON
SUMMARY OF GENERAL FUND
REVENUES AND EXPENDITURES
Fiscal Years 2011-12 and 2012-13¹

	June 30, 2012	June 30, 2013
Total Revenues	\$44,347,996	\$46,612,108
Total Expenditures	47,980,600	45,395,119
Surplus (Deficit)	(3,632,604)	1,216,989
Ending Cash Balance	<u>\$(30,570,123)</u>	<u>\$(29,353,134)</u>

Source: Fiscal Year 2011-12 — City of Compton Financial Report for the Month of June 2012; Fiscal Year 2012-13 — City of Compton Financial Report for the Month of May 2013.

¹ Unaudited.

The following Table 4 sets forth the City's General Fund Balance Sheets for Fiscal Years 2006-07 through 2010-11. The information below for the fiscal years 2007 through 2010 has been taken from audited financial statements. The information below for the fiscal year 2011 has been taken from unaudited financial information.

TABLE 4
CITY OF COMPTON
GENERAL FUND BALANCE SHEETS
Fiscal Years Ended June 30, 2007 through 2011

	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011 ⁽¹⁾
ASSETS					
Cash and Investments	\$ 19,332,405	\$ 3,132,781	\$ 405,576	\$ --	
Property Taxes Receivable:	1,402,540	1,214,279	2,111,512	2,245,747	660,152
Accounts Receivable	616,223	3,592,767	460,744	2,922,056	2,303,188
Due from other Funds	3,224,927		25,722,431	--	
Prepaid Expenses	4,785	31,080	58,934	--	40,969
Inventories	6,306	3	244	244	244
Interest Receivable	--	--	--	--	5
Advances to Other Funds	-	6,414,036			
Total Assets	\$ 24,587,186	\$14,384,946	\$28,759,441	\$ 5,168,047	\$ 3,004,558
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,798,762	\$ 96,148	\$ 112,352	\$ 11,600,351	\$ 12,560,317
Accrued Liabilities	319,550	2,457,182	4,401,471	4,982,759	3,282,798
Due to Other Funds	--		26,777,522	3,107,517	28,253,324
Due to Other Governmental Agencies	50,288	--		5,126	
Deposits	--	51,574	54,606	51,574	103,036
Other	--	--	--	28,422	27,884
Total Liabilities	\$ 2,168,600	\$ 2,604,904	\$ 31,345,951	\$ 19,755,749	\$ 44,227,359
Fund Balances:					
Nonspendable:					
Inventories and Prepaid Items	\$ 11,091	\$ 31,083	\$ 59,178	\$ 244	\$ 41,213
Reserved					
Regional Park	2,500,000	2,500,000	2,500,000	2,500,000	
Encumbrances		3,070,277	6,049,399	706,535	
Unreserved					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
					(41,264,014)
Unreserved: undesignated, reported in General Fund	\$ 19,907,495	6,178,682	(11,195,087)	(17,814,481)	
Total Fund Balances	\$ 22,418,586	\$ 11,780,042	\$ (2,586,510)	\$ (14,607,702)	\$ (41,222,801)
Total Liabilities and Fund Balances	\$ 24,587,186	\$ 14,384,946	\$ 28,759,441	\$ 5,168,047	\$ 3,004,558

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2007; City of Compton Annual Financial Report for Fiscal Year ended June 30, 2008; City of Compton Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2009, City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2010, City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited).

Unaudited.

11)

The City's fund balances for the Fiscal Year ended June 30, 2011 follows Governmental Accounting Standards Board Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54"), which was developed in order for governments to classify amounts consistently regardless of the fund type or column in which they are presented. Pursuant to GASB 54, the fund balances will be designated as one of the following five categories: (i) nonspendable fund balance which includes amounts that are not in a spendable form

or are required to be maintained intact, (ii) restricted fund balance which includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; (iii) committed fund balance which includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint; (iv) assigned fund balance which includes amounts a government intends to use for a specific purpose whereby the intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and (v) unassigned fund balance which includes amounts that are available for any purpose; these amounts are reported only in the general fund.

Major Revenues

The City derives its revenues from a variety of sources, including *ad valorem* property taxes, sales and use taxes, licenses, permits and franchises issued by the City, use of City property and money, aid from other governmental agencies, charges for services provided by the City and other miscellaneous sources. The following Table 5 sets forth the revenue sources for the City's General Fund for the Fiscal Year ended June 30, 2011.

TABLE 5
CITY OF COMPTON
ALLOCATION OF COUNTY GENERAL FUND REVENUES
Fiscal Year Ended June 30, 2011

Taxes and Special Assessments	54.85%
Licenses and Permits	6.21
Intergovernmental Revenues	18.80
Fines, Forfeitures and Penalties	4.46
Use of Money and Property	12.97
Charges for Services	2.57
Other	0.13
Total ⁽¹⁾	100.00%

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited).

⁽¹⁾ Total may not equal sum of component parts due to rounding.

Expenditures

The City's major General Fund expenditures during the Fiscal Year ended June 30, 2011 were public safety and general government. In Fiscal Years 2011-12, 2012-13 and 2013-14 the City's major General Fund Expenditures were public safety and general government. "See "APPENDIX C-1: CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011," "APPENDIX C-2: CITY OF COMPTON AUDITED FINANCIALS FOR THE FISCAL YEAR ENDING JUNE 2012," and "APPENDIX C-3: CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013 AND C-4 CITY OF COMPTON FINANCIAL REPORT FOR THE MONTH OF MAY 2014" attached hereto for more information related to the City's expenditures for the fiscal year ended June 30, 2011, fiscal year ended June 30, 2012, for the fiscal year ended June 30, 2013, for the fiscal year ended June 2014 through May 31, 2014.

Ad Valorem Property Taxes

General. The County levies *ad valorem* property taxes on behalf of taxing agencies in the County (including the City) for each fiscal year on taxable real and personal property located in the County (including taxable real and personal property located in the City) as of the preceding January 1st. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the

assessment roll. The "secured roll " is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor-Recorder of the County of Los Angeles (the "County Assessor"), to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the City and all other taxing entities receive a base year allocation plus an allocation on the basis of "situation" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

The County is responsible for assessing, collecting, and distributing property taxes to the City and other taxing entities within the County. The *ad valorem* property tax rate is 1% of the full cash value of the taxable property. The assessor must reassess property upon a change in ownership or new construction. The assessor may increase the full cash value by no more than 2% each year to reflect inflation. The assessor may decrease the full cash value (a) to reflect reductions in the consumer price index or comparable local data for the area under taxing jurisdiction, (b) to reflect substantial damage, destruction or (c) other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS — Article XIII D" in the forepart of this Limited Offering Memorandum. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. In addition, any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer and Tax Collector of the County (the "County Treasurer").

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Proposition 8, which was passed in November 1978, amended Proposition 13 to allow assessed values to reflect declines in value. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" in the forepart of this Limited Offering Memorandum. As a result, the County Assessor is required to enroll a property's fair market value, as of January 1, if that value is less than the base year value plus inflationary adjustment. The County Assessor may initiate the Proposition 8 reduction process without a request from a property owner. Property owners are notified at the beginning of the tax year and may file an assessment appeal to challenge the determined value. Although the values of many properties may suffer a significant decline during a recession, not all may qualify for a reduction under Proposition 8. The current fair market value of such property must fall below the base year value plus inflationary adjustment before it will affect the assessed value. If the fair market value of the property increases above its base year value plus inflationary adjustment, the County Assessor will re-enroll the property at the value of its base year value plus inflationary adjustment. The County Assessor did not enroll any taxable properties within the City at a reduced fair market value for Fiscal Year 2011-12.

Supplemental property taxes are assessed when there is an increase in the assessed valuation of property after the property tax bill for that year has been issued. As a result, when property values are increasing and sales activity is high, there will be an increase in supplemental property tax revenues. The City did not receive supplemental property tax revenues in Fiscal Year 2012-13 and has not budgeted any supplemental property tax revenues for Fiscal Year 2014-15. The City considers property taxes as available and records revenues if they are collected within 60 days after year end. Property tax receivables are adjusted to their net realizable values by deducting any estimated uncollectible amounts reported to the City.

The following Table 6 sets forth certain information regarding property tax levies and collections by the County on behalf of the City from Fiscal Years 2007-08 through 2011-12.

TABLE 6
CITY OF COMPTON
SUMMARY OF TAX LEVIES AND COLLECTIONS
Fiscal Years 2007-08 through 2011-12⁽¹⁾

Fiscal Year ended June 30	Secured Tax Charge⁽¹⁾	Total Tax Collection through June 30	Outstanding Delinquent Taxes	Percentage of Delinquency to Secured Tax Charge
2008	\$5,326,865	\$5,065,430	\$261,435	4.91%
2009	5,659,489	5,398,689	260,800	4.61
2010	5,562,561	5,374,786	187,775	3.38
2011	5,193,671	5,071,228	122,443	2.36
2012	5,288,425	5,180,223	108,202	2.05

Source: California Municipal Statistics.

Unaudited.

(2) 1% General Fund apportionment. Excludes redevelopment agency impounds.

The following Table 7 sets forth the assessed valuation of property located in the City for Fiscal Years 2002-03 through 2012-13.

TABLE 7
CITY OF COMPTON
ASSESSED VALUATION
Fiscal Years 2002-03 through 2012-13

Fiscal Year	Secured	Unsecured	Exemptions	Total Assessed Value
2002-03	\$2,695,106,642	\$313,820,622	\$	\$3,008,927,264
2003-04	2,857,979,299	307,260,095		3,165,239,394
2004-05	3,049,256,454	254,519,644		3,303,776,098
2005-06	3,409,869,939	245,928,980		3,655,798,919
2006-07	3,854,888,757	297,439,805		4,152,328,562
2007-08	4,463,417,598	261,228,601		4,724,646,199
2008-09	4,741,427,602	288,919,993		5,030,347,595
2009-10	4,592,547,319	308,173,021		4,900,720,340
2010-11	4,426,612,807	236,554,591	(130,524,640)	4,532,642,758
2011-12	4,486,686,545	228,026,510	(128,943,128)	4,585,769,927
2012-13	4,566,620,287	298,382,882	(61,179,919)	4,804,119,904 ⁽¹⁾
2013-14	4,678,360,851	302,810,024		4,981,170,875

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited) for Fiscal Years 2002-03 through 2010-11; Los Angeles County Assessor for Fiscal Years 2011-12 and 2012-13. Estimated.

Largest Taxpayers. The following Table 8 is a list of the twenty-five largest property taxpayers in the City by percentage of total city taxable value for Fiscal Year 2011-12.

TABLE 8
CITY OF COMPTON
LARGEST PROPERTY TAXPAYERS
Fiscal Year 2011-12

Taxpayer	Type of Business	Taxable Value	% of Total City Taxable Value¹⁾
PR I Dominguez Hills Industrial	Real Estate	\$148,248,133	3.23%
AMB	Real Estate	145,048,582	3.16
Ralphs Grocery Co	Food Services	81,500,591	1.78
South Bay Industrials Co LLC	Control Systems, Computer Networks	75,902,931	1.66
Prologis	Real Estate - Warehouses	55,161,934	1.20
Los Angeles Industrial Park LLC	Real Estate	35,557,146	0.78
Compton Commercial Development	Real Property Ownership and Management	31,478,366	0.69
KTR South Bay I LLC	Commercial Real Estate Investment	27,000,000	0.59
Gateway Opportunity Fund	Real Estate Investment & Development	25,917,927	0.57
Inland Empire Realty Holding C	Real Estate Agent/Manager	25,199,493	0.55
NL Ventures VII Euclid LLC	Real Estate Holdings and Investments	25,163,718	0.55
201 Manville LLC	Real Estate Investment	22,919,356	0.50
Walnut Industrial Park LLC	Investment and Realty	22,587,289	0.49
Owens Corning Roofing Asphalt	Manufacturing	19,555,685	0.43
Prism IQ Partnership LLC	Retail Gifts/Novelties	19,467,976	0.42
Target Corp	Retail / Merchandise	19,152,662	0.42
Girardi Financial LLC	Real Estate	17,249,890	0.38
Pacab LLC	Real Estate Investments	16,219,978	0.35
Federal National Mortgage Assoc	Mortgage Banker/Correspondent	15,414,084	0.34
Lake Plaza LLC	Real Estate Ownership and Development	12,949,130	0.28
Demenno Kerdoon	Oil and Gas Exploration Services.	12,460,665	0.27
Rancho Way Properties LLC	Real Estate	11,189,522	0.24
Csme Partners LLC	Purchase Commercial Property	11,123,907	0.24
Knickerbocker Properties Inc.	Nonresidential Building Operator	10,696,167	0.23
1301 E Rosecrans Plaza LLC	Real Estate Investment	10,644,453	0.23
Total		<u>\$897,809,585</u>	19.58%

Source: City of Compton.

¹⁾ Percentage based on a total taxable value of \$4,585,769,927 for Fiscal Year 2011-12.

Dissolution of Redevelopment Agencies. In connection with Assembly Bill 26 of the 2010-11 First Extraordinary Session ("ABx1 26"), the State required redevelopment agencies to cease operations. Upon the dissolution of such redevelopment agencies, the State required any property taxes that would have been allocated to redevelopment agencies to be allocated to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agencies, with remaining balances to be allocated in accordance with applicable constitutional and statutory provisions. On December 29, 2011, the Supreme Court of the State, in a case entitled *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in ABx1 26 were constitutional. See "STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION - State Budget for Fiscal Year 2014-15" herein. Accordingly redevelopment agencies were required to cease operations as of February 1, 2012. The City elected to serve as the successor agency to its dissolving redevelopment agency, the Community Redevelopment Agency of the City of Compton, and to retain the assets, obligations and functions previously performed by the Community Redevelopment Agency of the City of Compton and wind down its affairs. In calendar year 2011, the City Council approved a resolution pursuant to which the City, as successor agency to the Community Redevelopment Agency of the City of Compton, would allocate approximately \$19.1 million of expenditures and \$7.1 million of revenues attributable to the Community Redevelopment Agency of the City of Compton to the General Fund.

Utility Users Tax

The City collects a tax (the "Utility Users Tax") from utility users within the City's boundaries. Such users are charged at the following rates based on usage of utility services, including electricity (10%), telecommunications (8.5%), gas (10%), and water services (10%). The tax is not applicable to State, County, or City agencies, insurance companies or banks. In Fiscal Year 2012-13, Utility Users Taxes were collected by the City in the amount of approximately \$13 million, and accounted for approximately 28.3% of total General Fund revenues for the City. Table 9 below sets forth Utility Users Tax receipts and their respective percentage of General Fund revenues from Fiscal Year 2008-09 through Fiscal Year 2012-13.

TABLE 9
CITY OF COMPTON
UTILITY USERS TAX RECEIPTS
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Amount	Percentage of General Fund Revenues
2008-09	\$14,934,144	30.8%
2009-10	14,934,144	24.4
2010-11	12,522,1540	28.3
2011-12	13,010,117	28.6
2012-13	13,201,608	28.3

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited).

¹⁰ The City attributes the decline in utility users tax receipts between Fiscal Year 2009-10 to 2010-11 to, among other things, the effects of the downturn in the economy.

Sales and Use Taxes

The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, "Sales Tax") imposed within the boundaries of the City are distributed by the State to various agencies as shown below in Table 10. The total Sales Tax rate for the 2013-134 fiscal year for the City was ____%. The following Table 10 sets forth Sales Tax revenues for the City for Fiscal Years 2008-09 through 2012-13.

TABLE 10
CITY OF COMPTON
SALES TAX RECEIPTS
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Amount	Percentage of General Fund Revenues
2008-09	\$6,727,145	13.9%
2009-10	6,094,694	11.0
2010-11	6,909,981	15.6
2011-12	6,577,690	14.4
2012-13	7,245,927	15.5

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013 (Unaudited) for Fiscal Years 2008-09 through 2011-12; City Treasurer for Fiscal Year 2012-13.

Employees and Labor Relations

The following Table 11 sets forth a summary of City employment for Fiscal Years 2008-09 through 2012-13.

TABLE 11
CITY OF COMPTON
EMPLOYMENT LEVELS
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Full-Time Equivalent¹⁾
2008-09	555.5
2009-10	556.0
2010-11	575.0
2011-12	393.5
2012-13	393.5
2013-14	354.0

Source: City of Compton.

¹⁾ Figures represent number of authorized full time equivalent positions as of the adoption of the City Budget for each fiscal year.

For the 2012-13 fiscal year, five bargaining units had contracts with the City that had expired. The bargaining units are with the Service Employees' International Union, Local 347 - Public Safety Auxiliary ("SEIU — Public Safety Auxiliary"), Service Employees' International Union, Local 347 - Maintenance and Trades Unit ("SEIU — Maintenance and Trades" and, together with SEIU — Public Safety Auxiliary, "SEIU"), Local Union of Municipal Non-Supervisory Employees, Compton Management Employees Association, Local 2325, Compton Fire Fighters, Local 2216 (collectively, the "Coalition of Compton Unions"). The City has historically enjoyed positive relations with its bargaining units. The City and the Coalition of Compton Unions entered into a Side Letter Agreement pursuant to which certain modifications were made to each of the respective MOUs for a limited negotiation period. During the term of the Side Letter Agreement, all terms, conditions, provisions and conditions of existing MOUs for each member of the Coalition of Compton Unions were to continue except as modified in the Side Letter Agreement. Pursuant to the Side Letter Agreement, the City agreed that it did not intend to lay-off or furloughs current employees in positions represented by the City's employee bargaining unions AFSCME, SEIU and IAFF except as set forth in the Side Letter Agreement. The Side Letter Agreement expired June 30, 2014. The City and the Coalition of Compton Unions are currently engaged in labor negotiations.

The following Table 12 sets forth the expiration dates for the respective memorandum of understanding ("MOU") with each of the City's certified employee organizations with the City.

TABLE 12
CITY OF COMPTON
BARGAINING UNITS

<u>Bargaining Unit</u>	<u>MOU Expiration Date</u>
Service Employees' International Union, Local 347 - Public Safety Auxiliary	June 30, 2012
Service Employees' International Union, Local 347 - Maintenance and Trades Unit	June 30, 2012
Local Union of Municipal Non-Supervisory Employees	June 30, 2009
Compton Management Employees Association, Local 2325	June 30, 2009
Compton Fire Fighters, Local 2216	June 30, 2009

Source: City of Compton.

Retirement Benefit Tax Override

In 1947, the voters of the City passed a ballot initiative authorizing the City to levy an *ad valorem* property tax for purposes of funding a pension program for certain City employees (the "Charter-Authorized Levy"). At the time such ballot initiative was passed, the maximum override tax rate that could be levied in any fiscal year was established as \$1.00 per \$100 of assessed value. On an annual basis, by resolution of the City Council, the City sets the override tax rate for the coming fiscal year based on the estimated dollar amount necessary to fund the then-current fiscal year's pension and other benefits costs (taking into account that portion of the levy allocated to redevelopment purposes under Article XVI, Section 16 of the Constitution of the State and applicable law). Historically, the override tax rate has varied based on the requirements of the City's pension fund system.

Pursuant to State law regarding the levy of tax rates for pension purposes, the City may not implement a levy equal to or greater than \$0.501632 per \$100 of assessed value. The City has implemented a Charter-Authorized Levy of \$0.451632 per \$100 of assessed value since 1992-93. The City does not presently expect to change the current Charter-Authorized Levy. In Fiscal Years 2010-11 and 2011-12, the City collected approximately \$13.1 million and \$19.1 million, respectively, from the Charter Authorized Levy.

Defined Benefit Pension Plan

General. The City's defined benefit pension plan (the "City Employees Retirement Plan") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City Employees Retirement Plan is part of the public agency portion of the California Public Employees' Retirement System ("CALPERS "). CALPERS is administered by a 13-member Board of Administration (the " CALPERS Board"), which consists of two members elected by and from all CALPERS members, one member elected by and from all active State members, one member elected by and from all active CALPERS school members, one member elected by and from all active CALPERS public agency members, one member elected by and from the retired members of CALPERS, two members appointed by the Governor (one being an elected official of a local government and the other an official of a life insurer), one public representative appointed jointly by the Speaker of the Assembly and the Senate Rules Committee, and four State officials, the State Treasurer, the State Treasurer, the Director of the California Department of Human Resources, and a designee of the State Personnel Board, each acting in an *ex officio* capacity. For additional information regarding the City's pension and retiree health care programs and costs, see the City's financial statements attached in Appendix C hereto. As used in this section, " - Defined Benefit Pension Plan", the term "employees" refers to the portion of employees of the City whose benefits are granted through CALPERS.

The following information concerning CALPERS has been excerpted from publicly available sources, which the City believes to be accurate, or otherwise obtained from the CALPERS and has not been independently verified by the City, the Underwriter or the Financial Advisor, and is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the City, the Underwriter or the Financial Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities stated below. CALPERS' assets will not secure or be available to pay principal of or interest on the Notes or on any obligations of the City or any other member agency. Further, the assets of the City's pension plan are not available for such payments. CALPERS issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described defined benefit retirement program and the City Employees Retirement Plan. The reports are available on CALPERS website: <http://www.calpers.ca.gov/>. Information on such site is not incorporated herein by reference.

Information regarding the pension plans for police personnel (the "Safety Plan-Police"), fire department personnel (the "Safety Plan-Fire") and other City personnel (the "Miscellaneous Plan") was

obtained from the CALPERS report entitled "Safety Police Plan of the City of Compton (Employer #146) Annual Valuation Report as of June 30, 2010" dated October 2011 (the "2010 CALPERS Safety Police Valuation"), "Safety Fire Plan of the City of Compton (Employer #146) Annual Valuation Report as of June 30, 2010" dated October 2011 (the "2010 CALPERS Safety Fire Valuation") and "Miscellaneous Plan of the City of Compton (Employer #146) Annual Valuation Report as of June 30, 2010" dated October 2011 (the "2010 CALPERS Miscellaneous Valuation") and the City's financial statements for Fiscal Years ended June 30, 2007 through June 30, 2011, including the City's unaudited Annual Financial Report for Fiscal Year ended June 30, 2011, which reports are the most recent actuarial valuations and financial statements available to the City as of the date of this Limited Offering Memorandum. Such reports have not been updated since their respective dates.

The information contained in this section " - Defined Benefit Pension Plan" relies on information produced by the pension plans described herein, independent accountants, and CALPERS' chief actuary and plan actuaries (collectively, the "CALPERS Actuary"). The actuarial assessments contain "forward looking" information that reflects the judgment of CALPERS and the pension plans and their independent accountants and actuaries. The actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans.

Membership. The following Table 13 sets forth the membership of the City Employees Retirement Plan as of June 30, 2010.

TABLE 13
CITY EMPLOYEES RETIREMENT PLAN
Membership as of June 30, 2010

	Miscellaneous	Safety Police	Safety Fire	Total
Active Members	359	0	78	437
Transferred Members	167	32	22	221
Terminated Members	151	--	--	151
Separated Members	--	2	10	12
Retired Members	387 ⁽¹⁾	269	133	789
Total Membership	<u>1,064</u>	303	243	1,610

Sources: 2010 CALPERS Miscellaneous Valuation and 2010 CALPERS Safety Valuation.

⁽¹⁾ Includes Beneficiaries.

The Safety Plan-Fire has fewer than 100 active members and, pursuant to CALPERS; policy, is required to participate in a risk pool. At the time the Safety Plan-Fire joined the risk pool, a side fund was created to account for the difference between the funded status of the risk pool and the funded status of the City's Safety Plan-Fire. The side fund valuation as of June 30, 2010 was \$(10,109,813) and the adjusted employer payment was \$1,697,680. The City's contribution rate to the side fund is determined upon whether or not the side fund has a positive negative valuation. The side fund is credited, on an annual basis, with the actuarial investment return assumption, which is presently 7.75%. Benefits for the Safety Plan-Fire are funded from the assets of the risk pool and from related investment earnings. The City Charter requires the City to contribute the amounts necessary to fund the side fund of the Safety Plan-Fire from the proceeds of the Charter-Authorized Levy.

The Safety Plan-Police has fewer than 100 active members and, pursuant to CALPERS; policy, is required to participate in a risk pool. At the time the Safety Plan-Police joined the risk pool, a side fund was created to account for the difference between the funded status of the risk pool and the funded status of the

City's Safety Plan-Police. The side fund valuation as of June 30, 2010 was negative \$8,542,716 and the adjusted employer payment was \$2,470,924. The City's contribution rate to the side fund is determined upon whether or not the side fund has a positive negative valuation. The side fund is credited, on an annual basis, with the actuarial investment return assumption, which is presently 7.75%. Benefits for the Safety Plan-Police are funded from the assets of the risk pool and from related investment earnings. The City Charter requires the City to contribute the amounts necessary to fund the side fund of the Safety Plan-Police from the proceeds of the Charter-Authorized Levy.

Retirement Contributions. The City's contributions to the CALPERS plan include the employer-paid member contribution described above and the actuarially determined annual required contribution ("ARC"), which varies each year based on an annual actuarial plan valuation. The ARC is calculated using the entry age actuarial cost method and consists of two components: the "normal cost", which represents the portion of the actuarial present value of the benefits that the City and its employees will be expected to fund that are attributable to a current year's employment, and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). The amortization of the UAAL represents the current year's portion of the unfunded accrued costs (*i.e.*, the UAAL) attributable to past years' employment. The UAAL is an estimate based on a series of assumptions that operate on economic and demographic data of the CALPERS plan membership and may increase or decrease as result of changes in actuarial assumptions (such as the assumed investment rate of return of 7.75%, net of administrative expenses), benefit improvements and other experience that differ from that anticipated by the actuarial assumptions. This process is used to determine, as of the date of the calculation, how sufficient the assets in the CALPERS plan are to fund, as of the date of calculation, the accrued costs attributable to CALPERS plan participants. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. For a summary of principal assumptions and methods used to determine the ARC for the City's CALPERS plan for police safety employees (the "Safety Police Plan"), fire safety employees (the "Safety Fire Plan") and non-safety employees (the "Miscellaneous Plan"), see Note 10 to the financial statements attached to this Limited Offering Memorandum as "APPENDIX C-1: CITY OF COMPTON UNAUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The City Charter requires that the City levy a tax sufficient to meet all obligations of the City to CALPERS for the retirement of City employees, due and unpaid or to become due during the ensuing fiscal year. See "RETIREMENT BENEFIT TAX OVERRIDE" herein.

Members of the City's Miscellaneous Plan, Safety Plan-Fire, and Safety Plan-Police are required to contribute 8%, 9%, and 9% respectively, of their monthly salary, and the City is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CALPERS. The required employer contribution rates for Fiscal Year 2012-13 are 20.7% for Miscellaneous Plan members and 51.732% for Safety Plan-Fire members. The City is required to contribute \$3,003,040 for Safety Plan-Police members for Fiscal Year 2012-13. The projected required employer contribution rates for Fiscal Year 2014-15 are 21.0% for Miscellaneous Plan members and 52.0% for Safety Plan-Fire members. The City's contribution amount for Safety Plan-Police members has not been determined as of the date hereof. The City is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the City may be required to make to CALPERS. Accordingly, there can be no assurances that the City's required contributions to CALPERS will not significantly increase in the future above current levels.

Annual Pension Cost of the City. Statement No. 27 of the Governmental Standards Accounting Board ("GASB 27") establishes standards for the measurement, recognition, and display of pension expenditures and expenses and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. CALPERS is a defined benefit and cost-sharing, multiple employer plan. Pursuant to GASB 27, employers that participate in cost-sharing multiple employer defined benefit pension plans are required to recognize pension expenditures and expenses equal to

the employer's contractually required contributions and a liability for unpaid contributions. GASB 27 recommends that recognition be on the modified accrual or accrual basis depending on the fund type or type entity.

The following Table 14 sets forth the City's annual pension cost and the percentage contributed for Fiscal Years 2006-07 through 2010-11.

TABLE 14
CITY OF COMPTON
ANNUAL PENSION COST AND PERCENTAGE CONTRIBUTED"
Fiscal Years 2006-07 through 2010-11

<u>Fiscal Year</u>	Annual Pension Cost"			Percentage of Annual Pension Cost Contributed	Net Pension Obligation
	Miscellaneous	Safety	Total		
2006-07	\$3,370,048	\$5,364,951	\$8,734,999	100%	\$
2007-08	2,895,656	5,788,886	8,684,542	100	
2008-09	3,370,048	5,364,951	8,734,999	100	
2009-10	3,311,771	5,788,886	9,100,657	100	
2010-11	3,185,379	5,490,360	8,675,739	100	

(1) The City has made its annual required contribution for each of the past three years. The difference between the ARC and the Annual Pension Cost is due to the amortization of the net pension asset.

Source: City of Compton — Comprehensive Annual Financial Reports for the Fiscal Years ended June 30, 2009 through June 30, 2011.

Unfunded Actuarial Accrued Liability and Unrecognized Gains/Losses as of June 30, 2010. In its 2010 CALPERS Miscellaneous Valuation, the Miscellaneous Plan funded ratio (i.e., the ratio of valuation value of assets of CALPERS over the actuarial accrued liability) increased to 79.2% as of June 30, 2010 from 78.8% as of June 30, 2009. The UAAL of the Miscellaneous Plan increased to \$32,878,385 as of June 30, 2010 from \$32,269,815 as of June 30, 2009. In its 2010 CALPERS Safety Plan-Fire Valuation, the funded ratio of the Risk Pool in which the Safety Plan-Fire and Safety Plan-Police are included (i.e., the ratio of valuation value of assets of CALPERS over the actuarial accrued liability) increased to 83.3% as of June 30, 2010 from 82.6% as of June 30, 2009. The UAAL of the Risk Pool in which the Safety Plan-Fire and Safety Plan — Police are included increased to \$1.70 billion as of June 30, 2010 from \$1.69 billion as of June 30, 2009.

The CALPERS Actuary estimated that the amount of unrecognized gain applicable to the Miscellaneous Plan from investments in the investment portfolio as of June 30, 2010 totaled approximately \$1,913,393. The CALPERS Actuary estimated that the amount of unrecognized loss applicable to the Risk Pool in which the Safety Plan-Fire and Safety Plan-Police are included from investments in the investment portfolio as of June 30, 2010 totaled approximately \$17.2 million. The unrecognized gains and losses and the Miscellaneous Plan and the Risk Pool in which the Safety Plan-Fire and Safety Plan-Police are included are being amortized over a fixed and declining 30-year period and will be recognized by CALPERS in accordance with its smoothing methodology. See " — Smoothing Methodology and Valuation Corridor" herein.

Historically, the City funded, at a minimum, the pay-as-you-go amount recommended by the CALPERS Actuary of CALPERS. However, the City currently has an outstanding payment to CALPERS relating to retirement benefits due, in part, to the temporary transfer of funds from the City's Retirement Fund to the General Fund to satisfy payments of other obligations. See "CITY FISCAL CRISIS" in the forepart of this Limited Offering Memorandum and "- Litigation Regarding Retirement Benefits" herein. The ARC for the Miscellaneous Plan for Fiscal Years 2010-11 and 2011-12 were approximately \$3.06 million and \$4.18million, respectively. If the City elects the annual lump sum prepayment option, the ARC for the Miscellaneous Plan for the period July 1, 2012 through June 30, 2013 would be \$4,085,104. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in

the valuation go into effect. The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010.

Smoothing Methodology and Valuation Corridor. In April 2005, the PERS Board of Administration adopted its Employer Rate Stability Policy (the "Employer Rate Stability Policy"), which provided for, among other things, calculating the annual contribution amount with regard to gains and losses as a rolling 30-year amortization of all remaining unamortized gains and losses (as opposed to recognizing 10% of annual gains and losses pursuant to prior policy) beginning with the actuarial valuation as of June 30, 2004. Pursuant to such policy change, multiple amortization bases (including those for benefit improvement or changes in actuarial methods or assumptions, which are typically less than 30 years) were combined into a single base (the gain and loss bases) and amortized over a rolling 30-year period to effect a "fresh start" as of June 30, 2004. The Employer Rate Stability Policy did not affect other existing amortization bases for benefit improvements, assumptions changes and method changes. Accordingly, all gains or losses to CALPERS are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in Fiscal Years 2008-09, 2009-10 and 2010-11 as described below. The gains or losses during each of these fiscal years is isolated and amortized over fixed and declining 30-year periods instead of the current, rolling 30-year amortization applied to other fiscal years. If a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

In order to moderate the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date.

In December 2009, the CALPERS Board of Administration adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the negative 24% investment loss experienced by CALPERS in Fiscal Year 2008-09. Under the new methodology, which is not mandatory for employers, investment gains and losses will be tracked and the net unamortized gain or loss will be amortized and paid off over a fixed and declining 30-year period instead of the current, rolling 30-year amortization period, with the exception of gains and losses in Fiscal Years 2008-09, 2009-10, and 2010-11. For Fiscal Years 2008-09, 2009-10, and 2010-11, such fiscal year's gains or losses are isolated and amortized over fixed and declining 30-year periods. In addition, CALPERS has adopted a policy such that if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability of such plan may not be less than the amount produced by a 30-year amortization of the unfunded liability. Further, all CALPERS plans will be subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

Pursuant to the current CALPERS valuation policy, the actuarial value of assets for the June 30, 2009 actuarial valuation, which was used to establish the contribution requirements for fiscal year 2010-11, could not be more than 140 percent of the market value or less than 60 percent of the market value. The actuarial value of assets for the June 30, 2010 actuarial valuation, which was used to establish the contribution requirement for Fiscal Year 2011-12, could not be more than 130 percent of the market value or less than 70 percent of the market value. The actuarial value of assets for the June 30, 2011 actuarial valuations, which was used to set the contribution requirements for Fiscal Year 2012-13, could not be more than 120 percent of the market value or less than 80 percent of the market value. Further, the current CALPERS valuation policy dictates that any asset loss outside of the 80 percent to 120 percent corridor will be isolated, and paid down with a fixed and certain 30-year amortization schedule. By utilizing a fixed and certain 30-year payment schedule, CALPERS projects that these losses will be paid in full at the end of 30 years and will be independent of any investment gain or loss experienced by the remainder of CALPERS investment portfolio.

Historical Funding Progress. The following Tables 15 and 16 sets forth the schedule of funding progress as of the five most recent actuarial valuation dates. Funding progress is measured by a comparison of Miscellaneous Plan assets and Safety Plan assets that have been set aside by CALPERS to pay plan benefits with plan liabilities.

TABLE 15
CITY OF COMPTON
SCHEDULE OF FUNDING PROGRESS — MISCELLANEOUS PLAN
Fiscal Year ended June 30, 2006 through June 30, 2010

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (a) — (b)	Funded Ratios		Annual Covered Payroll (c)	UL as a % of Covered Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
6/30/2006	\$122,975,578	\$102,506,156	\$20,469,422	83.40%	88.60%	12,174,711	168.10%
6/30/2007	130,255,772	109,385,522	20,870,250	84.00	97.90	13,975,341	149.30
6/30/2008	136,746,394	115,068,267	21,678,127	84.10	86.40	15,453,499	140.30
6/30/2009	152,457,507	120,187,692	32,269,815	78.80	57.80	18,433,468	175.10
6/30/2010	157,852,083	124,973,698	32,878,385	79.20	62.20	18,611,429	176.70

Source: 2010 CALPERS Miscellaneous Valuation.

TABLE 16
CALPERS RISK POOL
SCHEDULE OF FUNDING PROGRESS — SAFETY PLAN - FIRE
Fiscal Year ended June 30, 2006 through June 30, 2010

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (a) — (b)	Funded Ratios		Annual Covered Payroll (c)	UL as a % of Covered Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
6/30/2006	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.90%	88.90%	\$754,730,438	155.70%
6/30/2007	7,986,055,176	6,826,599,459	1,159,455,717	85.50	99.00	831,607,658	139.40
6/30/2008	8,700,467,733	7,464,927,716	1,235,540,017	85.80	87.30	914,840,596	135.10
6/30/2009	9,721,675,347	8,027,158,724	1,694,516,623	82.60	60.20	973,814,168	174.00
6/30/2010	10,165,475,166	8,470,235,152	1,695,240,014	83.30	65.40	955,980,815	177.30

Source: 2010 CalPERS Safety Risk Pool Valuation.

The following Tables 17 and 18 set forth the value of the assets of the Miscellaneous Plan and the overall Risk Pool in which the Safety Plan — Fire is included, respectively, as of the five most recent actuarial valuation dates based on the actuarial value and market value.

TABLE 17
CITY EMPLOYEES RETIREMENT PLAN - MISCELLANEOUS PLAN
ASSET VALUE COMPARISON
Fiscal Year ended June 30, 2006 through June 30, 2010

Valuation Date	Actuarial Value of Assets	Market Value of Assets
6/30/06	\$102,506,156	\$108,980,095
6/30/07	109,385,522	127,474,122
6/30/08	115,068,267	118,152,784
6/30/09	120,187,692	88,094,500
6/30/10	124,973,698	98,186,192

Sources: 2010 CALPERS Miscellaneous Valuation.

TABLE 18
CALPERS RISK POOL-SAFETY
ASSET VALUE COMPARISON
Fiscal Year ended June 30, 2006 through June 30, 2010

Valuation Date	Actuarial Value of Assets	Market Value of Assets
6/30/06	\$6,102,615,567	\$6,469,775,316
6/30/07	6,826,599,459	7,903,684,460
6/30/08	7,464,927,716	7,596,723,149
6/30/09	8,027,158,724	5,850,794,301
6/30/10	8,470,235,152	6,650,160,763

Sources: 2010 CALPERS Safety Risk Pool Valuation.

Actuarial Assumptions. The CALPERS Actuary considers various factors in determining the assumptions to be used in calculating funding ratios. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability and other factors. In addition, the CALPERS Actuary considers certain economic factors assumptions in determining the assumptions to be used in calculating funding ratios. The actuarial assumptions have a significant impact on the determination of the ratio of assets of the Miscellaneous Plan and the Safety Plan that are set aside to pay plan benefits. Significant actuarial assumptions of the CALPERS Actuary in the 2010 CALPERS Miscellaneous Valuation and the 2010 Safety Plan include: (a) a rate of return on the investment of 7.75% per year (net of expenses); (b) an inflation assumption of 3.00% compounded annually; and (c) overall payroll growth of 3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). In addition, actuarially determined assumptions relating to salary growth in the amount of 3.55% to 14.45% for the Miscellaneous Plan and the amount set forth in an actuarially determined table for the Safety Plan and assumptions relating to age, service and type of employment, pre- and post-retirement mortality, marital status, age of spouse, terminated members, termination with refund, termination with vested benefits, non-industrial and industrial disability, and service retirement are included in the 2010 CALPERS Miscellaneous Valuation and the 2010 CALPERS Safety Risk Pool Valuation. The potential liability loss for a cost of living increase exceeding the 3% inflation assumption and the potential liability loss, if any, from future members service purchases are not reflected in the 2010 CALPERS Miscellaneous Valuation or the 2010 CALPERS Safety Valuation.

In April 2012, CALPERS announced changes to certain economic assumptions including the reduction of CALPERS discount rate to 7.50 percent from 7.75 percent. This lower rate will be phased in over a period of two years. The Board of Administration may modify its assumptions based in part on analyses of experience and recommended changes submitted by the CALPERS Actuary.

The following Table 19 sets forth certain economic actuarial assumptions for CALPERS' Public Employees Retirement Fund ("PERF") for the Fiscal Years ended June 30, 2007 through June 30, 2011.

TABLE 19
CALPERS PUBLIC EMPLOYEES RETIREMENT FUND
ACTUARIAL ASSUMPTIONS
Fiscal Years ended June 30, 2007 through June 30, 2011

Actuarial Assumption	2007	2008	2009	2010	2011
Investment Returns	7.75%	7.75%	7.75%	7.75%	7.50%
Inflation	3.00	3.00	3.00	3.00	2.75

Source: CALPERS Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2008 through June 30, 2011 for the assumptions for Fiscal Years ended June 30, 2007 through June 30, 2010; CALPERS for the assumptions for Fiscal Year ended June 30, 2011.

CALPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CALPERS comprehensive annual financial report and actuarial valuations may be obtained from the CALPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Limited Offering Memorandum.

Investment Policy. CALPERS has established a series of procedures and guidelines. The procedures, grouped together as the "Total Fund Statement of Investment Policy" (the "CALPERS Investment Policy"), which was approved by its investment committee on December 14, 2009, guide CALPERS' investment program. The CALPERS Investment Policy has been designed to allow CALPERS to achieve a long-term total return. As such, prudent risk-taking is appropriate within the context of overall diversification to meet CALPERS long-term investment objectives. The assets of CALPERS are to be broadly diversified to minimize the effect of short-term losses within any investment program. In addition, consistent with Article XVI, section 17 of the California Constitution, all of CALPERS investment activities, and all investment transactions, are to be designed and executed solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering CALPERS. The performance objective and benchmark of the Investment Policy directs that: (i) the assets of CALPERS will be invested to meet or exceed the actuarial rate over the long-term; (ii) CALPERS will seek to maximize the returns for the level of risk taken; (iii) CALPERS will seek to achieve a return that exceeds its policy index; and (iv) CALPERS will invest its assets efficiently, bearing in mind the impact of management and transaction costs on the return of the assets.

The following Table 20 sets forth the asset allocations for the PERF, of which the assets for the Safety Plan and the Miscellaneous Plan are a part and are invested accordingly, and the PERF investment portfolio as of March 31, 2013.

TABLE 20
CALPERS PUBLIC EMPLOYEES RETIREMENT FUND
INVESTMENT ASSET ALLOCATION
(\$ in Billions)
As of March 31, 2013

Asset Class	Market Value	Allocation	Target
Total Equities	\$166.6	65.0%	64.0%
Total Fixed Income	41.2	16.0	17.0
Short Term Liquidity	9.6	4.0	4.0
Real Estate Assets	24.5	10.0	11.0
Inflation Protected	9.8	4.0	4.0
Multi Asset Class Strategy	0.5	0.0	N/A
Absolute Return Strategy	5.2	2.0	N/A
Total Fund	\$257.4	100.0%	100.0%

Source: www.calpers.ca.gov. Target allocation is effective as of July 2011.

The following Table 21 sets forth the annualized rate of return on investments in the Public Employees Retirement Fund, which includes the City's Miscellaneous Plan and Safety Plan, for the Fiscal Years ended June 30, 2002 through June 30, 2012 based upon the market value of the investments.

TABLE 21
CALPERS PUBLIC EMPLOYEES RETIREMENT FUND
INVESTMENT RESULTS
Fiscal Year ended June 30, 2002 through June 30, 2011

Fiscal Year Ended June 30	Annualized Rates of Return
2002	(6.7)%
2003	3.7
2004	16.6
2005	12.3
2006	11.8
2007	19.1
2008	(5.1)
2009	(24.0)
2010	13.3
2011	21.7
2012	1.0

Sources: CALPERS Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012.

Pension Accounting and Financial Reporting Standards. In 2012, the Governmental Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the City. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including through guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The City anticipates complying with the provisions of GASB 68 by its effective dates.

Litigation Regarding Retirement Benefits. Historically, the City has used the proceeds of its Charter-Authorized Levy, the tax rate for which is based upon the estimated dollar amount necessary to fund the then-current fiscal year's pension and other benefits costs (taking into account that portion of the levy allocated to redevelopment purposes under Article XVI, Section 16 of the Constitution of the State and applicable law), to provide sufficient revenues to satisfy its pension costs, including amounts due to CALPERS. Since 2007, the City has temporarily borrowed from the Retirement Fund, in which proceeds of the Charter-Authorized Levy are deposited, to satisfy then-current General Fund expenses. Accordingly, the City has not been able to pay in full certain amounts due to CALPERS in connection with the City's pension benefits. On September 21, 2012, California Public Employees Retirement System v. City of Compton was filed by CALPERS in the Sacramento Superior Court alleging that the City had failed to pay to CALPERS approximately \$2.04 million relating to retirement and pension benefits. The City has stated that the alleged failure to pay relates to cash flow matters faced by the City. See "CITY FISCAL CRISIS" in the forepart of this Limited Offering Memorandum. During the months of October and December, 2012, the City remitted funds to CALPERS in order satisfy all outstanding amounts then due. Based on the City's payments in October and December 2012, on January 14, 2013, CALPERS filed a Request for Dismissal Without Prejudice of its complaint in the above referenced case.

Other Postemployment Benefits

General. In addition to the benefits provided through the Miscellaneous Plan and the Safety Plan, the City provides postemployment healthcare benefits ("OPEB") under the CALPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City's actuary conducted an OPEB valuation as of June 30, 2009 (the "2009 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the City. The 2009 OPEB Valuation reflected an actuarial accrued liability of approximately \$125.7 million as of June 30, 2009, which amount is an increase in the actuarial accrued liability of approximately \$12.0 million from June 30, 2007. The 2009 OPEB Valuation reflected an actuarial value of assets of \$0 and an annual required contribution of 46.4% of projected payroll as of June 30, 2010 and 48.8% of projected payroll as of June 30, 2011. The City's OPEB valuation as of June 30, 2007 (the "2007 OPEB Valuation") reflected an annual contribution of 37.4% of projected payroll as of June 30, 2008 and 37.9% of projected payroll as of June 30, 2009. The pay-as-you-go cost of the City's OPEB was approximately \$3.25 million as of June 30, 2009. The annual required contribution in the 2009 OPEB Valuation was used to determine the contribution requirement for Fiscal Years 2010-11 and 2011-12. The assumptions used in the 2009 OPEB Valuation included an individual entry-age normal cost method, 7.75% rate of return on investments, an annual healthcare cost trend rate of 4.5%, an aggregate payroll increase of 3.25% per year with merit increased based upon CALPERS' 1997-2007 CALPERS Experience Study (the "CALPERS Experience Study"), mortality, withdrawal, disability and retirement based upon the CALPERS Experience Study. The assumptions regarding investment rate of return and health care cost include a 3% inflation assumption. In addition, the 2009 Postemployment Valuation assumes full funding of the ARC through CALPERS' California Employers' Retiree Benefit Trust Fund. The UAAL of the City's OPEB plan is being amortized as a level percentage of projected payroll over 30 years. Plan changes are amortized over a fixed period of 20 years and assumption changes and experience gains and losses are amortized over a fixed period of 15 years. The next OPEB valuation will be as of June 30, 2013. Any changes made by the City to the assumed investment rate of return will apply to future OPEB valuations.

The following Table 22 sets forth members of the City's OPEB plan as of June 30, 2009.

TABLE 22
CITY OF COMPTON
OPEB PLAN MEMBERSHIP
Fiscal Year ended June 30, 2010

	Miscellaneous	Safety Police	Safety Fire	Total
Active Members	368	--	79	447
Service Retiree	182	48	46	276
Disabled Retiree	32	100	39	162
Total Membership	583	148	155	885

Sources: 2009 OPEB Valuation. ⁽¹⁾

Includes Beneficiaries.

The City currently funds these benefits on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year. The City makes a defined monthly payment towards the cost of each retiree's coverage. The City contributed \$3,569,781 to the plan for the Fiscal Year ended June 30, 2011. The City's contribution rate for Fiscal Year 2011-12 was \$3,760,080 and the City's contribution rate for Fiscal Year 2012-13 was \$3,960,524.

The City's ARC for OPEB was \$11,599,000 for Miscellaneous Plan members and \$2,994,000 for Safety Plan members for Fiscal Year ended June 30, 2011. The following Table 23, based on the actuarial valuation as of June 30, 2009, shows the components of the City's annual OPEB Cost for the year, the amount contributed to the plan, and the change in the City's Net OPEB obligation.

TABLE 23
CITY OF COMPTON
ANNUAL PENSION COST AND PREPAID PENSION ASSET⁽¹⁾
Fiscal Year ended June 30, 2011

	Total
Annual Service Cost	\$12,046,000
Interest on Net OEB Obligation	738,000
Adjustment to Service Cost	(1,331,000)
Required Contribution During the Year (if plan is prefunded)	\$11,453,000
Contribution paid (based on Pay-As-You-Go Basis)	(3,569,781)
Increase in Net OPEB Obligation	\$7,883,219
Net OPEB Obligation — Beginning of Year	\$17,364,000
Net OPEB Obligation — End of Year	\$25,247,219

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited); based on the actuarial valuation as of June 30, 2009.

Table 24 below set forth the City's annual OPEB Cost, the percentage of the annual OPEB cost contributed by the City and the Net OPEB obligation subsequent to such contributions for the Fiscal Years ended June 30, 2009, June 30, 2010 and June 30, 2011. Pursuant to City policy, the City operates a pay-as-you-go plan with respect to its OPEB. Accordingly, the annual OPEB contribution paid is lower than the actuarially determined required contribution. Further, the City pays its OPEB on actual invoice basis representing the actual health expenses incurred by the covered retired employees during the year rather than pre-funding OPEB payments. There is presently no plan asset attributable to the OPEB plan and the City does not intend to prefund the OPEB plan.

TABLE 24
CITY OF COMPTON
ANNUAL OPEB COST
Fiscal Years ended June 30, 2009 through 2011

Fiscal Year Ended (June 30)	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$10,625,321	31%	\$ 9,819,737
2010	10,795,364	30	17,364,000
2011	11,453,000	31	25,247,219

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited).

OPEB Historical Funding Progress. The following Table 25 sets forth the schedule of funding progress of the City's AAL with respect to OPEB plan members as based upon the Actuarial Valuation of the City of Compton for the Year ended June 30, 2009 (the "2009 OPEB Valuation"). Funding progress is measured by a comparison of assets which have been set aside by the City to pay OPEB benefits with plan liabilities.

TABLE 25
CITY OF COMPTON - OPEB
OPEB SCHEDULE OF FUNDING PROGRESS — MISCELLANEOUS
Fiscal Year ended June 30, 2009

Valuation Date)	Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
June 30, 2009	\$125,693,000	\$	\$125,693,000	N/A	\$24,697,000	508.94%

Source: 2009

OPEB Valuation.

Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has established a Self Insurance Fund (an internal service fund) to account for and finance its self-insured risks of loss (the "Self Insurance Fund"). The Self Insurance Fund provides self-insurance to protect the City from losses due to workers' compensation and general liability claims which include all other risks of loss. The following Table 26 sets forth the Self Insurance Fund's claims liability amount in Fiscal Years 2006-07 through 2010-11.

TABLE 26
CITY OF COMPTON
CLAIMS AND JUDGMENTS
Fiscal Years 2006-07 through 2011-12

Fiscal Year	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Provision⁽¹⁾	Claim Payments⁽²⁾	Balance at Fiscal Year-End
2006-07	\$ 8,249,762	\$5,023,726	\$(3,260,366)	\$10,013,122
2007-08	10,013,122	1,810,808 ⁽³⁾	(3,738,337)	5,674,940
2008-07	5,674,940	1,916,375	(2,445,387)	5,145,928
2009-10	5,145,928	5,575,232	(2,668,952)	8,052,208
2010-11	8,052,208	3,427,720	(1,712,085)	9,767,843
2011-12	9,767,843			

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited).

- ⁽¹⁾ Includes incurred claims representing the total of a provision for events of the current fiscal year and any change in the provision for events of prior fiscal years.
- ⁽²⁾ Includes payments on claims attributable to events of the both the current fiscal year and prior fiscal year.
- ⁽³⁾ Excludes an upward adjustment of \$711,029 relating to workers compensation and a downward adjustment relating to a write off of claims for general liability in the amount of \$3,121,682.

Indebtedness

Debt Policy. The City Charter provides that the bonded indebtedness of the City may not exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purpose of acquiring, establishing or extending a system of water-works for the supplying of water, or for the purpose of constructing sewers or drains in the City, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and the City Charter. The taxable property value in the City for Fiscal Year 2013-14 is approximately \$4.98 billion, which results in a total current bonding capacity of approximately \$720.6 million. The City has never failed to pay any note, long term indebtedness or lease obligation as and when due.

Long Term Debt. The following Table 27 sets forth of long-term debt obligations payable from the City's General Fund.

TABLE 27
CITY OF COMPTON
SUMMARY OF LONG-TERM DEBT OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of September 1, 2012

	Interest Rates	Final Maturity Dates	Original Principal Amounts	Principal Amounts Outstanding
City of Compton				
Energy Conservation Assistance Loan (2004)	3.95%	December 2012	\$ 635,078	\$ 52,447
Energy Retrofit/Revenue Enhancement Mortgage Loan (2006)	4.52	July 2022	4,012,184	2,878,403
Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects) Series 2008	5.00 — 5.25	September 1, 2032	46,860,000	45,730,000
Total			<u>\$51,507,262</u>	<u>\$48,660,850</u>

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited); City of Compton City Treasurer.

111) The long term obligations listed in Table 26 reflect obligations payable from General Fund revenues. The long-term obligations set forth in Note 8 of the City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited) include obligations payable from enterprise fund revenues and other sources outside of the City's General Fund.

Lease Obligations. As of June 30, 2011, the City was the lessee under certain capital leases in effect with respect to tree trimming truck, film processor / speedsetter equipment and a printing press machine. The following Table 28 sets forth the minimum lease obligation in Fiscal Years 2011-12 through 2014-15 required by the City under capital leases as of June 30, 2011.

TABLE 28
CITY OF COMPTON
MINIMUM CAPITAL LEASE OBLIGATION
As of June 30, 2011

Fiscal Year ending June 30	Principal	Interest
2012	\$284,641	\$57,595
2013	227,829	50,480
2014	154,715	32,023
Totals	<u>\$667,185</u>	<u>\$140,098</u>

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited).

Direct and Overlapping Debt

Set forth in the following Table 29 on the following page is a direct and overlapping bonded indebtedness report as of October 1, 2012 (the "Debt Report") which was compiled by California Municipal

Statistics, Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 29
CITY OF COMPTON
Estimated Direct and Overlapping Bonded Debt
As of October 1, 2012

2012-13 Assessed Valuation: \$4,804,119,904

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/12
Los Angeles County Flood Control District	0.436%	\$ 162,170
Metropolitan Water District	0.229	450,088
Compton Community College District	29.476	18,515,680
Compton Unified School District	54.122	31,269,854
Lynwood Unified School District	0.980	168,166
Paramount Unified School District	0.031	36,107
Los Angeles County Regional Park and Open Space Assessment District	0.441	630,057
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$51,232,122
 DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.441%	\$ 6,381,994
Los Angeles County Superintendent of Schools Certificates of Participation	0.441	45,764
Compton Unified School District Certificates of Participation	54.122	15,492,423
Lynwood Unified School District Certificates of Participation	0.980	210,504
Paramount Unified School District Certificates of Participation	0.031	7,778
City of Compton Certificates of Participation	100.000	45,730,000⁽¹⁾
Los Angeles County Sanitation District No. 1 Authority	13.713	2,536,815
Los Angeles County Sanitation District No. 2 Authority	0.008	2,285
Los Angeles County Sanitation District No. 8 Authority	7.318	826,127
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$71,233,690
Less: Los Angeles County General Fund Obligations supported by landfill revenues		73,638
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$71,160,052
 OVERLAPPING TAX INCREMENT DEBT:		
Community Development Agency of the City of Compton	100.000%	\$117,747,530
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$117,747,530
 GROSS COMBINED TOTAL DEBT		\$240,213,342W
NET COMBINED TOTAL DEBT		\$240,139,704

(1) Excludes tax and revenue anticipation notes, including the Notes described in the forepart of this Limited Offering Memorandum, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.07%
Combined Direct Debt (\$45,730,000)	0.95%
Gross Combined Total Debt	5.00%
Net Combined Total Debt	5.00%

Ratios to Redevelopment Incremental Valuation (\$1,875,813,641):

Total Overlapping Tax Increment Debt	6.28%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

General Fund Financial Statements

Except as noted below, the City's accounting policies and audited financial statements conform to generally accepted accounting principles and standards for public financial reporting established by the Governmental Accounting Standards Board ("GASB").

The City's basis of accounting for its governmental type funds and agency funds is the modified accrual basis with revenues being recorded when available and measurable and expenditures being recorded when services or goods are received and with all unpaid liabilities being accrued at year end. The accrual basis of accounting is utilized in the Proprietary Funds and the Pension Trust Fund. All of the financial statements contained in this Limited Offering Memorandum, other than the General Fund Cash Flow Schedules, have been prepared as described above.

Funds are accounted for by the City are categorized as follows:

<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
General Fund	Enterprise Funds	Agency Funds
Capital Projects Funds	Internal Service Funds	Successor Agency
Special Revenue Funds		Trust Fund
Debt Service Fund		

City Investment Policy

The City's current investment policy (the "Investment Policy") was filed by the City Treasurer pursuant to Section 53646(a) of the California Government Code. The Investment Policy provides guidelines for City officers charged with the investment of idle cash to ensure prudent investment and cash management practices. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that its primary objectives are to protect the principal and asset holdings of the City's portfolio, to ensure adequate liquidity is provided for the prompt, efficient handling of the City's disbursement, and to generate the maximum amount of investment income within the parameters of the Investment Policy and the guidelines for suitable investments. The ultimate goal is to enhance the economic status of the City while protecting its funds.

The City Treasurer is required to provide a monthly report (the "Treasurer's Monthly Report") to the City Council showing the type of investment, institution, date of maturity, par value of investment, cost basis of investment, current market value change of all securities, rate of interest, interest earned, gains and losses and such data as may be required by the City Council. The City Treasurer's Monthly Report is also required to comply with Governmental Accounting Standards Board Statement No. 31 and to detail all repurchase agreements and state its compliance with the Investment Policy as directed under the Government Code.

The Investment Policy allows the City to invest in various instruments that have maturities of five years or less at the time of purchase in the treasury of the City (the "City Treasury"). These investments generally include (i) United States Treasury Bills, Notes and Bonds, or those for which the full faith and credit of the United States are pledged for payment of principal and interest; (ii) obligations issued by the Government National Mortgage Association, the Federal Farm Credit Bank System, the Federal Home Bank Board, and the Federal National Mortgage Association and those insured by the Federal Housing Administration; (iii) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptance; (iv) Commercial paper ranked "P 1" by Moody's Investor Services and "A 1+" by Standard and Poor's, and issued by a domestic corporation having assets in excess of \$500,000,000 and having an "AA" or better rating on its long term debentures as provided by Moody's or Standard and Poor's; (v) negotiable certificates of deposit issued by a nationally or State-Chartered Bank or a State or Federal Savings and Loan

Association; (vi) repurchase agreements with banks and dealers with which the City has entered into a master repurchase contract that specifies terms and conditions of repurchase agreements; (vii) reverse repurchase agreements that specify terms and conditions may be transacted with broker dealers and financial institutions, but do not exceed 20% of the portfolio value on the date entered into and do not exceed 90 days; (viii) Local Agency Investment Fund; (ix) non-negotiable time deposits collateralized in accordance with the California Government Code; (x) medium term cooperative notes, with a maximum maturity of five years, may be purchased; (xi) mutual funds investments; and (xii) mutual funds (money market funds). The Investment Policy prohibits investments not described in the Investment Policy, including, but not limited to common stocks from the use in the City's investment fund. From time to time bills are proposed in the State Legislature that would modify the currently authorized investments and place restrictions on the ability of local agencies to invest in various securities. Therefore, there can be no assurances that the current investments in the City Treasury will not vary from the investments described herein or as may be authorized in the future by the California Government Code.

The City may not invest in securities with maturities greater than five years from the date of investment and directs that market risk, defined as market value fluctuations due to overall, changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the City's investment portfolio to two years. The City believes that the City Treasury is prudently invested and that investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the City's expenditures and other scheduled withdrawals.

The City Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each security type. The composition of the City Treasury will change over time as old investments mature and as new investments are made. Since July 1, 1997, the City, in accordance with new GASB regulations, has not realized market value fluctuations for the investments in the City Treasury on its income statements but has disclosed gains.

As of September 30, 2012, City Treasury reflected an effective rate of return of 1.40% since July 1, 2012. The City determines the market value of the City Treasury on a monthly basis but does not mark-to-market. Current liquidity in the City Treasury, consisting of cash, investments in mutual funds and investments in cash equivalents, is approximately 100% as of June 30, 2012. The weighted average days-to-maturity for the month ended September 30 2012 was one day.

Derivatives such as inverse-floating rate securities are not held in the City Treasury. The City Treasury also does not own any reverse repurchase agreements, nor has the City engaged in securities lending. The City Treasury has not purchased and does not own any collateralized debt obligations, collateralized loan obligations, or any other securities backed by or derived from sub-prime or Alt-A mortgages.

The value of the various investments in the City Treasury will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the City Treasury will not vary from the values described herein.

The following Table 30 reflects various information with respect to the City Treasury as of the close of business on September 30, 2012 (the "September 2012 Treasury Report"). The September 2012 Treasury Report stated that the City's investments may not be sufficient to meet six months of estimated expenditures. As of September 30, 2012, the City had approximately \$1.9 million in the City's general bank account and \$2.9 million in outstanding warrants to be paid to vendors. The City had payments of principal of and interest due on the City's Sewer Refunding Bonds, Series 1998 and Sewer Revenue Bonds, Series 2009 and the Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects) which were timely paid. As described above, a wide range of investments are authorized under State law. For additional information concerning City investments, see "APPENDIX C-1: CITY OF COMPTON UNAUDITED

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011" attached to this Limited Offering Memorandum.

TABLE 30
CITY OF COMPTON
City Treasury
As of September 30, 2012

	Net Market Value	Percentage of Total Net Market Value
INVESTMENTS		
Passbook/Checking Accounts	\$304,118	3.96%
Local Agency Investment Fund	6,649,011	86.62
Managed Pool & Money Market Account	722,957	9.42
TOTAL INVESTMENTS"	7,676,086	100.00

Source: City of Compton City Treasurer.

STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget". An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurerca.gov and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the City, and the City takes no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

The State Budget Process; Fiscal Year 2014-15 State Budget

According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to Fiscal Year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

On January 9, 2014, the Governor released his proposed budget for 2014-2015 (the "2014-15 Governor's Budget"). The budget proposes to eliminate budgetary borrowing in the amount of \$11 billion and proposes to eliminate such borrowing by fiscal year 2017-18.

Under the 2013-14 Governor's Budget, State General Fund revenues and transfers for Fiscal Year 2013-14 were projected at \$98.5 billion, an increase of \$3.1 billion or 3.3 percent compared with revised estimates for Fiscal Year 2012-13. State General Fund expenditures for Fiscal Year 2013-14 were projected at \$97.7 billion, an increase of \$4.7 billion or 5.0 percent compared with revised estimates for Fiscal Year 2012-13. The vast majority of spending growth was projected to be the result of a reinvestment in education and health care.

May Revision to the Proposed 2014-15 Budget

On May 14, 2014, the Governor released his May Revision to the 2014-15 Governor's Budget (the "May Revision"). The May Revision, contained very few changes to the Governor's January Budget Proposal but maintained the Governor's conservative approach to estimating state revenues. The May Revision assumed state revenues are \$2.4 billion higher than the January Budget Proposal and proposes to strengthen the State's Rainy Day Fund to create a Proposition 98 reserve for the first time in order to soften swings in the Proposition 98 guarantee and added additional investments in the State's medical program to reflect increases in participation.

Future State Budgets

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in this or in any future fiscal years, and, if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken by the Legislature and Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the City has no control.

Potential Impact of the State of California's Financial Condition on the City

There can be no assurance that, as a result of the current State financial condition, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the City has no control. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

DEMOGRAPHIC INFORMATION

Population

The following Table 31 sets forth estimates of the population of the City, the County and the State of California as of January 1 for the years 2003 through 2013.

TABLE 31
CITY, COUNTY AND STATE POPULATION ESTIMATES
2003 through 2013

Year (as of January 1)	City of Compton	County of Los Angeles	State of California
2003	95,263	9,756,914	35,163,609
2004	95,882	9,806,944	35,570,847
2005	96,033	9,816,153	35,869,173
2006	95,659	9,798,609	36,116,202
2007	99,451	9,780,808	36,399,676
2008	99,242	9,785,474	36,704,375
2009	99,431	9,801,096	36,966,713
2010	99,064	9,822,121	37,223,900
2011	96,925	9,847,712	37,427,946
2012	97,058	9,884,632	37,678,563
2013	97,877	10,017,068	38,332,521

Sources: City of Compton for Population Estimates for the City; State of California Department of Finance Demographic Research Unit for Population Estimates of the County and the State.

Labor Force

The following Table 32 sets forth the labor force, employment and unemployment figures from calendar year 2009 through 2013 for the City, the County and the State of California.

TABLE 32
CITY OF COMPTON, COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Calendar Years 2009 through 2013⁽¹⁾

	Labor Force	Employment	Unemployment	Unemployment Rate⁽²⁾
2009				
City of Compton	37,100	29,800	7,300	19.6
County of Los Angeles	4,904,300	4,335,200	569,000	11.6
State of California	18,208,300	16,144,500	2,063,900	11.3
2010				
City of Compton	37,500	29,500	7,900	21.1
County of Los Angeles	4,910,500	4,291,400	619,100	12.6
State of California	18,316,400	16,051,500	2,264,900	12.4
2011				
City of Compton	37,500	29,700	7,700	20.6
County of Los Angeles	4,924,400	4,318,900	605,500	12.3
State of California	18,384,900	16,226,600	2,158,300	11.7
2012				
City of Compton	36,700	29,900	6,800	18.6
County of Los Angeles	4,879,700	4,345,700	534,000	11.0
State of California	18,496,000	16,561,500	1,934,500	10.45
2013				
City of Compton	36,800	30,600	6,200	17.0
County of Los Angeles	4,954,800	4,454,800	500,000	10.1
State of California	18,661,000	17,155,600	1,505,400	8.1

Source: State of California Employment Development Department.

(1) All information updated per March 2013 Benchmark.

(2) The State Employment Development Department has reported a preliminary non-seasonally adjusted unemployment rate within the City of 13.9% for May 2014.

The following Table 33 sets forth the annual averages for non-agricultural labor force and industry employment within the County from 2009 through 2013.

TABLE 33
COUNTY OF LOS ANGELES
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
2009 to 2013
(in thousands)

Employment Sector	2009	2010	2011	2012	2013
Mining and Logging	4.1	4.1	4.0	4.2	4.6
Construction	117.3	104.5	103.5	108.8	116.5
Manufacturing	389.2	373.2	365.4	365.7	366.5
Trade, Transportation and Utilities	742.7	739.8	748.0	762.0	780.7
Information	191.2	191.5	195.6	190.3	197.3
Financial Activities	216.0	209.5	209.4	210.2	211.8
Professional and Business Services	529.8	527.5	540.4	567.2	590.3
Educational and Health Services	514.6	522.0	534.8	544.3	713.4
Leisure and Hospitality	385.6	384.8	392.8	414.1	436.7
Other Services	137.9	136.7	135.0	140.7	145.5
Government	595.8	579.6	565.2	556.8	549.2
Total ^(c)	<u>3,824.1</u>	<u>3,773.1</u>	<u>3,794.1</u>	<u>3,864.1</u>	<u>4,112.5</u>

Source: California Employment Development Department, May 2014

Benchmark. Totals may not equal sum of component parts due to rounding.

The following Table 34 sets forth the largest employers and the estimated number of employees for such employers in the City during calendar year 2012.

TABLE 34
CITY OF COMPTON TOP TEN EMPLOYERS
Calendar Year 2012
Product/Services

Company	Product/Services	Employees⁽¹⁾
Compton Unified School District	Government	2,945
Ralph's Grocery Company	Food Services	1,576
Compton Community College Dist	Education	381
4 Wheel Parts Wholesalers Inc	Automotive	360
City of Compton	Government	344
Foster Farms	Food Products	275
Nabors Well Services Co	Oil and Gas services	250
Gourmet Foods Inc	Food Products	220
Judiciary Counsel of the State of California	Non-Profit	200
Sodexo	Food and Facilities Management	181

Source: City of Compton.

^(c) Estimated.

Household Income

The following Table 35 sets forth the median household income for the City, the State, and the United States for calendar years 2008 through 2012.

TABLE 35
MEDIAN HOUSEHOLD INCOME⁽¹⁾
Calendar Years 2008 through 2012

Year	City of Compton	County of Los Angeles	State of California	United States of America
2008	40,236	55,499	61,021	52,029
2009	44,370	54,467	58,931	50,221
2010	43,728	52,684	57,708	50,046
2011	39,234	52,280	57,287	50,502
2012	41,060	53,001	58,328	51,371

Source: U.S. Census Bureau - Economic Characteristics - American Community Survey. City of Compton

⁽¹⁾ Estimated. In inflation-adjusted dollars.

Per Capita Personal Income

The following Table 36 sets forth the per capita income within the County, the State and the United States from 2008 through 2012.

TABLE 36
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
PER CAPITA PERSONAL INCOME⁽¹⁾
Calendar Years 2008 to 2012

	2008	2009	2010	2011	2012
County of Los Angeles	42,881	40,111	41,025	42,564	44,474
State of California	44,003	41,034	41,893	43,647	46,477
United States of America	40,947	38,637	39,791	41,560	43,735

Source: U.S. Bureau of Economic Analysis.

⁽¹⁾ Estimated. Not adjusted for inflation.

Construction Activity

The following Table 37 sets forth the number of new privately-owned single family and multi-family residential building permits issued within the City from calendar years 2008 through 2012.

TABLE 37
CITY OF COMPTON
BUILDING PERMITS
Calendar Years 2008 to 2012

	2008	2009	2010	2011	2012
New Dwelling Units:					
Single Family	144	39	34	25	1
Multiple Family	5	0	0	0	
Total	149	39	34	25	

Source: U.S. Bureau of the Census.

The following Table 38 sets forth the permit valuation of residential and non-residential construction within the City from calendar years 2007 through 2011.

TABLE 38
CITY OF COMPTON
BUILDING PERMIT VALUATION BY TYPE OF CONSTRUCTION
Calendar Years 2007 to 2011
(\$ in thousands)

Type	2007	2008	2009	2010	2011
Residential ⁽¹⁾	\$14,381,195	\$26,961,695	\$10,806,539	\$15,655,701	N/A
Non-Residential ⁽¹⁾⁽²⁾	51,148,153	19,023,995	72,474,782	22,996,482	N/A
Total Valuation ⁽¹⁾	\$65,529,348	<u>\$45,985,690</u>	<u>\$83,281,321</u>	<u>\$38,652,183</u>	N/A

Source: California Home Building Foundation

⁽¹⁾ Includes alterations.

⁽²⁾ Includes residential-garages.

Regional Economy

The following Table 39 sets forth the County's gross domestic product, which is an estimate of the value for all goods and services produced in the County, from Fiscal Years 2006-07 through 2010-11.

TABLE 39
COUNTY OF LOS ANGELES
GROSS DOMESTIC PRODUCT
Fiscal Years ended June 30, 2008 through June 30, 2012
(\$ in billions)

Fiscal Year	Gross Domestic Product
2007-08	\$731.3
2008-09	745.7
2009-10	717.2
2010-11	735.7
2011-12	765.8

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; reflects data as of September 2013.

Commercial Activity

The following Table 40 sets forth information regarding taxable sales in the City for calendar years 2006-2008. In early 2007, the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System ("NAICS") codes. The California State Board of Equalization completed the process of converting business codes of sales and use tax permit holders to NAICS codes for 2009 data. As a result of the coding change process, industry data for 2007 and 2008 is not comparable with data from prior years. The following Table 41 reflects implementation of the NAICS codes and new industry categories.

TABLE 40
CITY OF COMPTON
TAXABLE SALES
Calendar Years 2006 to 2008
(\$ in thousands)

Type of Business	2006 Annual	2007 ⁽¹⁾ Annual	2008 ⁽¹⁾ Annual
Apparel Stores	\$ 16,139	\$ 15,582	\$ 22,740
General Merchandise	28,199	40,925	53,905
Food Stores	41,102	49,774	42,594
Eating/Drinking Establishments	41,698	44,983	51,075
Home Furnishings/Appliances	16,852	13,300	29,691
Building Materials	7,573		
Automotive Dealers and Auto Supplies ⁽³⁾	26,456	26,164	21,866
Service Stations	60,543	63,192	75,033
Other Retail Stores ⁽²⁾	32,940	54,902	75,299
All Other Outlets	226,127	206,602	202,074
Total All Outlets:	<u>\$497,620</u>	<u>\$515,424</u>	<u>\$574,277</u>

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

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.

(2) In 2007 and 2008, industry data for Specialty Stores were included in Other Retail Stores.

(3) Prior to 2007, industry data for Service Stations were included in Automotive.

The following Table 41 sets forth taxable sales in the City for the calendar years 2009, 2010, 2011, 2012 and the first quarter of 2013.

TABLE 41
CITY OF COMPTON
TAXABLE SALES
Calendar Years 2009 to First Quarter 2013
(\$ in thousands)

Type of Business	2009 Annual	2010 Annual	2011 Annual	2012 Annual	First Quarter 2013
Retail and Food Services					
Motor Vehicles and Parts Dealers	\$ 24,163	\$ 22,057	\$ 24,421	\$ 20,260	\$ 7,578
Home Furnishings and Appliance Stores	39,050	36,384	38,703	56,658	8,451
Building Material, Garden Equipment and Supplies					
Food and Beverage Stores	50,393	56,964	74,016	60,404	33,207
Gasoline Stations	59,829	66,560	86,560	98,910	24,229
Clothing and Clothing Accessories Stores	32,392	36,473	40,186	43,843	11,693
General Merchandise Stores	36,147		39,162	41,077	10,841
Food Services and Drinking Places	56,330	56,815	60,178	65,002	17,102
Other Retail Group	67,959	105,164	68,591	70,567	18,451
All Other Outlets	164,317	159,448	163,755	175,894	46,521
TOTAL ALL OUTLETS:	<u>\$530,579</u>	<u>\$539,865</u>	<u>\$595,571</u>	<u>\$638,615</u>	<u>\$178,07</u>

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

⁽¹⁾Data reflects taxable sales for the first quarter of 2013.

Community Facilities

The City contains several hospitals, theaters and other recreational venues, including the Compton Par 3 Golf Course and the Compton/Woodley Airport, which offers flight training programs and Tomorrow's Aeronautical Museum.

Transportation

The City is known as the "Hub City" because of its unique position in almost the exact geographical center of the County. Interstate Highways 105, 110, 710, and 405, along with State Highway 91 outline the general boundaries of the City and provide superior access to destinations throughout the region. The Port of Long Beach and the Port of Los Angeles are less than 20 minutes from downtown Compton and provide access to international destinations for customers, suppliers and leisure travelers. The Alameda Corridor, a passageway for approximately 25 percent of all United States waterborne international trade, runs directly through the City from north to south.

Compton/Woodley Airport is a small general aviation airport located in the City and is situated within a few miles of both Los Angeles International Airport and Long Beach Airport. The Los Angeles Metropolitan Transportation Authority provides Metro Blue Line light rail service running north-south through the City and connects the City to the downtown areas of the City of Los Angeles and the City of Long Beach.

Education

The Compton Unified School District (the "District") operated twenty-two elementary schools, eight middle schools and three senior high schools as of October 2012. The District also maintains one adult school and three alternative schools. The District has a population of approximately 100,000 residents and encompasses approximately 10.5 square miles. The District's enrollment has decreased from 30,775 in the 1999-00 school year to 28,538 in the 2006-07 school year.

El Camino College Compton Center (formerly known as Compton Community College, the "College"), which is located in the City, has a full schedule of academic and vocational classes and offers Associate of Arts degrees and course credits that are transferable to universities within the University of California and California State University systems. The College became a part of El Camino College on August 23, 2006, after several years of financial and accreditation problems beginning in January 2003. In May 2004, these problems resulted in the appointment by the State of a special trustee to assist the College's return to financial stability. In June 2005, the Accrediting Commission for Community and Junior Colleges terminated the College's accreditation effective August 2005. In June 2006, the State provided the College with a \$30 million recovery loan and offered accredited college courses to students upon the College's partnership with a community college of good standing in the State. In August 2006, the College officially became a part of neighboring El Camino College. The College's enrollment has increased from 4,314 in the 2005-06 school year to 6,626.23 in the 2010-11 school year.

APPENDIX B

CITY OF COMPTON CASH FLOW PROJECTIONS

Cashflows

The estimates in the following tables have been prepared by the City. The projected cash flow for Fiscal Year 2014-15 was prepared based on the current information available. The statements in this Limited Offering Memorandum relating to the cashflow projections constitute "forward-looking statements." Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

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**TABLE B-1
CITY OF COMPTON
GENERAL FUND CASHFLOW FOR FISCAL YEAR 2013-14**

TABLE B-2
CITY OF COMPTON
PROJECTED GENERAL FUND CASHFLOWS FOR FISCAL YEAR 2014-15
Projected

Description	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	TOTAL
BEGINNING CASH BALANCE ⁽¹⁾	\$0	\$(3,411,495)	\$(5,194,497)	\$(5,430,199)	\$(6,296,527)	\$(7,846,140)	\$(9,785,634)	\$(3,693,555)	\$(4,318,215)	\$(4,946,491)	\$(4,699,204)	\$1,620,868	\$
RECEIPTS													
Property Taxes ^{1m}	-	-	-	-	13,917	1,173,306	333,474	328,672	177,169	785,923	382,558	-	3,195,019
Sales & Use Taxes ⁽²⁾		457,900	657,265	400,158	21,378	529,845	1,908,960	452,891	460,281	369,922	1,501,351	766,855	7,526,806
Franchise Taxes	-	76,552	49,793	125,406	51,715	100,873	98,524	228,365	72,995	18,704	243,810	172,612	1,239,350
Transient Occupancy Tax	-	13,778	25,147	15,229	12,331	8,842	7,218	7,558	6,630	7,033	9,846	7,802	121,414
Property Transfer Tax	-	-	33,869	15,566	21,269	--	46,842	-	12,658	27,924	11,708	11,034	180,870
Utility Users Tax	260,700	978,504	1,195,390	1,491,568	1,170,350	277,839	1,890,519	926,818	1,136,973	1,505,313	1,221,744	1,153,858	13,209,576
License and Permits	95,963	81,855	117,406	152,391	95,004	71,624	105,125	154,916	162,576	88,090	82,183	64,708	1,271,841
Business License Fees	362,192	257,280	230,374	241,340	126,797	121,810	131,736	89,818	147,281	301,858	363,459	347,036	2,720,981
Parking Citation Fee	96,826	115,625	83,843	107,857	97,743	25,707	112,424	80,231	93,066	113,053	228,285	90,587	1,245,247
Fines and Penalties	16,239	22,320	23,533	10,585	34,595	3,165	33,882	19,716	29,415	30,760	29,392	30,154	283,756
Interest & Rentals	2,917	3,423	4,492	10,345	11,109	7,044	11,977	4,894	16,129	15,942	9,307	11,659	109,238
State Motor Vehicle Fee ¹	-	--	51,144	-	-	-	3,970,163	-	-	-	3,970,163	-	7,991,470
Service Charges	335,331	471,694	471,694	471,694	471,695	471,695	471,695	471,695	471,695	471,694	471,695	471,695	5,523,972
Other Revenues	1,201,669	187,427	111,346	11,000	157,558	116,521	915,581	444,841	419,931	346,146	222,335	451,160	4,585,515
Proceeds from Sale of Property	-	-	-	-	-	-	-	-	-	-	1,000,000	-	1,000,000
Interfund Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from CRA - General Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$2 171 137	\$1745 137)	\$12 139 701)	5(2 377.060)	14_011 065)	\$1_ 937 /69)	\$752 416	\$(483 140)	\$11 111 416)	5(164.129)	\$5 048 637	55,200 071	\$50 705 055
DISBURSEMENTS													
Salaries and Benefits	\$ 1,472,195	\$1,512,110	\$1,512,110	\$1,512,110	\$1,512,110	\$2,268,165	\$1,512,110	\$1,512,110	\$1,512,110	\$1,512,110	\$1,512,110	\$2,268,165	\$19,617,514
Operation and Maintenance	1,319,126	1,401,054	242,692	786,769	786,769	843,404	854,555	786,769	786,769	786,769	379,458	936,444	9,910,578
L.A. Sheriff Contract	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,196	1,536,195	18,434,351
Debt Service	-	-	--	84,392	-	-	43,180	-	-	-	-	-	127,572
Contribution to General Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Checks Withheld / Catch-up Release	1,455,815	-	-	-	-	-	-	-	-	-	-	(1,536,195)	(80,380)
Repayment on Accumulated Deficit	-	-	-	-	-	200,000	-	-	-	-	-	-	200,000
Total Disbursements	\$5 713 332	\$, 449 360	\$3 790.991	\$1 919 467	\$1 815,075	54342,20	\$3 946 041	\$3 133.5 075	\$3 115.075	\$3,115 075	\$3,477 764	\$3 704 609	54830901
ENDING CASH BALANCE	\$(3,411,495)	\$(5,194,497)	\$(5,430,199)	\$(6,296,527)	\$(7,846,140)	\$(9,785,634)	\$(3,693,555)	\$(4,318,215)	\$(4,946,491)	\$(4,699,204)	\$1,620,868	\$1,995,420	\$1,995,420

Source: City of Compton

The City has prepared the information shown above beginning with a zero cash balance in the General Fund as of June 30, 2013.

⁽²⁾The County Revenues include 1% property tax labeled account number "132.01- City-Compton TD #1" by the County of Los Angeles Auditor/Controller, vehicle licensing fee revenues, and sales and use tax revenues collected by the County on behalf of the City.

Available Cash Resources

The City could borrow for General Fund purposes certain funds held by the City outside the General Fund (the "Available Cash Resources"). Available Cash Resources are estimated to be approximately \$41 million as of July 1, 2013. The City has used Available Cash Resources to lower temporary cash shortfalls in the General Fund, but it has never used Available Cash Resources to meet its tax and revenue anticipation note pledge requirements. The Purchaser should be aware that the Available Cash Resources have restricted uses, and any other use, including payment of principal of and interest on the Notes, may be subject to approval by the City Council. The City makes no representation that such funds would in fact be made available for the payment of principal of and interest on the Notes in the absence of other revenues. The following Table B-3 sets forth the estimated Available Cash Resources as of July 1, 2013.

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TABLE B-3
City of Compton
Projected Available Cash Resources as of July 1, 2014

Fund	July 1, 2014
Measure R	2,984,407
Proposition A	1,317,314
S/A CRA	0
S/A Surplus Tax	0
S/A General	6,176,377
S/A Low Cost Housing	177,153
S/A Obligation Retfund	0
PFA	179,145
Regional Park	2,739,253
Family Self Sufficiency	400,875
Careerlink	239,531
Section 108 HUD	2,308,200
Police Drug Prop	3,184
Sewer Bond	836,408
Liability	51,256
Prop C	5,142,879
Workers Compensation	87,216
LHA	480,683
EMS Acct	517,986
Parking Violations	481,164
RVR MNT Consery	11,746
EDA Revolving Loan	436,049
Land Sales	0
Formal Assurance Program	123,596
General City Account	12,606,368
Total	37,300,790
2014 General City Account	
2013 General City Account	
Net Difference General Account	

Source: City of Compton

TRUST AGREEMENT

by and between

THE CITY OF COMPTON

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of July 1, 2014

Relating to

\$12,200,000
City of Compton, California 2014 -15 Tax and Revenue Anticipation Notes, Series A

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TRUST AGREEMENT

This TRUST AGREEMENT, dated as of July 1, 2014, 2014 (the "Trust Agreement"), is by and between the City of Compton (the "City"), a municipal corporation and chartered city of the State of California, and U.S. Bank National Association (the "Trustee"), a national banking association organized and existing under the laws of the United States of America.

BACKGROUND

WHEREAS, the City requires funds for the purposes authorized by Section 53852 of the California Government Code; and

WHEREAS, the City is authorized to borrow money pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended, and City Charter (the "City Charter") Section 1403 (collectively, the "Authorizing Law"), for the purposes authorized by California Government Code Section 53852 and the City Charter, respectively, such indebtedness to be represented by a note or notes of the City; and

WHEREAS, the City has duly authorized and provided for the issuance of \$12,200,000 in aggregate principal amount of City of Compton 2014 -15 Tax and Revenue Anticipation Notes (the "2014 -15 TRAns") pursuant to a resolution adopted by the City Council of the City on July __, 2014 (the "Resolution") and the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2014-15 Tax and Revenue Anticipation Notes, dated as of July __, 2014 (the "Accompanying Document"), executed by the City Manager of the City (the "City Manager"), approved by the City Attorney and acknowledged by the Trustee and the County of Los Angeles;

WHEREAS, the City has requested that the Trustee perform certain trustee, paying agent and Note Registrar functions in connection with the 2014 -15 TRAns; and

WHEREAS, the Trustee has agreed to serve in such capacities, subject to the terms of this Trust Agreement, the Resolution and the Accompanying Document.

NOW, THEREFORE, WITNESSETH, the City and the Trustee agree as follows:

ARTICLE I

APPOINTMENT AND COMPENSATION OF TRUSTEE

Section 1.01. Appointment. The City hereby appoints the Trustee to act as Trustee, Paying Agent and Note Registrar with respect to the 2014 -15 TRAns, and to hold the amounts pledged for payment of the 2014 -15 TRAns in trust for the benefit of the Owner of the 2014 -15 TRAns as set forth herein and in the Accompanying Document. The Trustee hereby accepts its appointment and agrees to act as Trustee, Paying Agent and Note Registrar to perform the duties set forth in Article III hereof and in the Accompanying Document.

Section 1.02. Compensation. As compensation for the Trustee's services hereunder, the City agrees to pay the Trustee the fees and amounts heretofore agreed to by the City and the Trustee. In addition, the City agrees to reimburse the Trustee for all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with this Trust Agreement (including the reasonable compensation and the expenses and disbursements of the Trustee's agents and counsel).

ARTICLE II

DEFINITIONS

Section 2.01. Definitions. For purposes of this Trust Agreement, all capitalized terms used and not defined herein shall have the meanings ascribed to them in the Accompanying Document.

ARTICLE III

DUTIES

Section 3.01. Duties as Trustee. Pursuant to the Resolution and the Accompanying Document, the Trustee is hereby directed to establish and maintain the "2014-15 TRANs Repayment Fund". The Trustee is hereby authorized to establish any additional subaccounts therein if deemed necessary to effectuate the purposes of the Resolution, the Accompanying Document and the Direction Letter. The City shall transfer or cause to be transferred to the Trustee and the Trustee is directed hereby to deposit in the 2014 -15 TRANs Repayment Fund the County Collected Revenues as set forth under Section 402 of the Accompanying Document and the Direction Letter and any other funds as directed for such deposit by the City Manager. The Trustee is authorized and directed to acknowledge the Direction Letter.

All funds in the 2014 -15 TRANs Repayment Fund shall be accounted for separately from the other funds of the Trustee and shall be invested in Permitted Investments in accordance with the Accompanying Document, as may be directed by the City from time to time. In the absence of such direction, the Trustee shall hold moneys uninvested. The Trustee shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2014 -15 TRANs Repayment Fund, as well as a written record of disbursements from the 2014 -15 TRANs Repayment Fund.

The 2014 -15 TRANs Repayment Fund shall be used to pay the 2014 -15 TRANs and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided, however, that subsequent to the payment of principal of and interest on the 2014 -15 TRANs when due, earnings on amounts in the 2014 -15 TRANs Repayment Fund shall be transferred by the Trustee to the City and deposited into the General Fund of the City. Any amounts on deposit in the 2014-15 TRANs Repayment Fund in excess of the amount sufficient to pay all of the 2014-15 TRANs and the interest thereon when due, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury, shall be transferred by the Trustee upon receipt of a Written Direction of an Authorized Officer to any account in the General Fund of the City as the City Manager or any designee may direct in a Written Direction.

Section 3.02. Duties as Paying Agent. The Trustee shall pay on behalf of the City the principal of and interest on the 2014 -15 TRANs when due, in accordance with the provisions of the Resolution and the Accompanying Document.

Section 3.03. Duties as Note Registrar. The Trustee shall perform the duties of the Note Registrar as set forth in the Accompanying Document, including maintaining the registration books for the 2014 -15 TRANs. The Trustee will effect transfers of registered ownership of the 2014 -15 TRANs upon surrender of validly issued Notes to the Trustee accompanied by such instruments of transfer and other documents as Trustee may reasonably require only as permitted in the Accompanying Document.

Section 3.04. Discharge and Cancellation of Notes. The Trustee shall cancel all 2014 -15 TRANs surrendered to it for transfer or payment and will dispose of said cancelled 2014 -15 TRANs at the written direction of the City.

ARTICLE IV

PROTECTIONS, OBLIGATIONS AND LIABILITIES OF THE TRUSTEE; FIDUCIARY CAPACITY

Section 4.01. Incorporation of Accompanying Document and the Direction Letter. The protections, obligations and liabilities of the Trustee set forth under the Accompanying Document and the Direction Letter are incorporated herein by reference and such provisions shall apply to the Trustee in its various capacities hereunder.

Section 4.02. Money Held by Trustee. All funds at any time and from time to time provided to or held by the Trustee hereunder shall be deemed, construed and considered for all purposes as being provided to or held by the Trustee in trust and as a trustee for the benefit of the Owner. The Trustee acknowledges, covenants and represents that it is acting herein as a trustee in relation to such funds, and is not accepting, holdings, administering or applying such funds as a banking depository, but solely as a trustee for and on behalf of the Owner of the 2014 -15 TRANs.

Section 4.03. Liability of Trustee. The Trustee makes no representations as to the validity or sufficiency of the Accompanying Document, this Trust Agreement or of any 2014 -15 TRANs or as to the security afforded by the Resolution, this Trust Agreement or the Accompanying Document, and the Trustee shall incur no liability in respect thereof.

Section 4.04. Evidence on Which Trustee May Act.

(a) In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as such Trustee, and in any case in which the Resolution, the Accompanying Document or this Trust Agreement provides for permitting or taking any action, it may rely upon any notice, resolution, request, consent, order, waiver, statement, certificate, report, opinion, bond or other paper or document to be furnished to it under the provisions of the Resolution, the Accompanying Document or this Trust Agreement, and any such instrument shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may

or may not do, acting reasonably and in good faith, by reason of the supposed existence of such fact.

(b) The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Resolution, the Accompanying Document or this Trust Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper City Council or person, or to have been prepared and furnished pursuant to any of the provisions of the Resolution, the Accompanying Document or this Trust Agreement or at the sole cost and expense of the City with the prior written consent of the City, and when determined necessary in the reasonable discretion of the Trustee, as the case may be, upon the written opinion of any attorney (who may be an attorney for the City or an employee of the City) believed by the Trustee, to be qualified in relation to the subject matter.

Section 4.05. Indemnification of Trustee.

(a) To the extent permitted by law, the City shall indemnify the Trustee and hold it harmless, from and against any loss, liability or reasonable expense (including the costs and expenses of its counsel and of investigating and defending against any claim of liability) arising out of or in connection with its acting as Trustee under this Trust Agreement; provided, however, that the Trustee shall not be indemnified for or held harmless against any such loss, liability or expense resulting from its negligence, willful misconduct or bad faith. The provision of this Section 4.05 shall remain in full force and effect notwithstanding the resignation or removal of any Trustee or the termination of the Resolution, the Accompanying Document or this Trust Agreement.

(b) Nothing in the Resolution, the Accompanying Document or this Trust Agreement shall require or obligate the Trustee to advance, expend or risk its own funds or otherwise to incur any personal financial liability in the performance or exercise of any of its duties or rights hereunder and the Trustee shall be fully justified and protected in taking or refusing to take any action under the Resolution, the Accompanying Document or this Trust Agreement or the 2014-15 TRANs unless it shall first be indemnified against any and all liability and expense which may be incurred by it by reason of such taking or refusing to take any such action (other than any liability or expense resulting from its negligence, willful misconduct or bad faith). Notwithstanding the foregoing, the Trustee shall not require indemnification prior to the making, when due, of any payment required at the maturity of the 2014 -15 TRANs.

Section 4.06. Ownership of the 2014 -15 TRANs Permitted. Subject to Section 305 of the Accompanying Document, any Trustee may become the Owner of any 2014 -15 TRANs.

Section 4.07. Resignation or Removal of Trustee and Appointment of Successor.

(a) The Trustee may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving at least 60 days' prior written notice to the City. Any Trustee may be removed at any time with or without cause by an instrument filed with such Trustee and signed by the City. A successor Trustee may be appointed by the City and

shall be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution, the Accompanying Document or this Trust Agreement. For purposes of this Section, a commercial bank with trust powers or a trust company shall be deemed to have capital and surplus aggregating at least \$100,000,000 if it is a wholly-owned subsidiary of a corporation having capital and surplus aggregating at least \$100,000,000 and such corporation provides a written guaranty, in form and substance satisfactory to the City, of the performance by the bank or trust company of its obligations as Trustee hereunder. Such Trustee shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the City a written acceptance thereof. Resignation or removal of a Trustee shall be effective upon appointment and acceptance of a successor Trustee.

(b) In the event of the resignation or removal of a Trustee, such Trustee shall pay over, assign and deliver any moneys held by it to its successor. In no event shall the resignation or removal of the Trustee become effective prior to the assumption of such resigning or removed Trustee's duties and obligations by a successor Trustee.

Section 4.08. Trustee's Right To Exercise Rights & Remedies Under Accompanying Document. Notwithstanding anything to the contrary in the Accompanying Document, the Trustee agrees to exercise any rights and remedies available to the Owner under the Accompanying Document on behalf of the Owner subject to the following:

a) Written direction of the Owner(s) holding at least 51% of the unpaid par amount of the 2013-2014 TRANS (individually and collectively the "Directing Owner" and "Owner Direction"); and

b) Indemnification of the Trustee to the satisfaction of the Trustee by the Directing Owner on a several (but not joint) basis for the matters to be undertaken set forth in the Owner Direction from and against any reasonable loss, liability or reasonable expense (including the costs and expenses of its counsel and of investigating and defending against any claim of liability) arising out of or in connection with its acting as Trustee under the Owner Direction; provided, however, that the Trustee shall not be indemnified against any such loss, liability or expense resulting from its negligence, willful misconduct or bad faith.

In furtherance of the Trustee's ability to undertake any matters on behalf of the Directing Owner hereunder and under the Accompanying Document and to support any indemnification requested by the Trustee under this Section 4.08, the City agrees that the Trustee is entitled to a lien on any funds held by the Trustee hereunder for the purpose of covering all of the Trustee's fees and expenses (including reasonable attorney's fees) and any source of indemnification payments.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01. Amendment. This Trust Agreement may be amended only by an agreement in writing signed by each of the parties hereto; provided, however, that all amendments must be consistent with the provisions of the Resolution and the Accompanying Document.

Section 5.02. Assignment. This Trust Agreement may be assigned by the Trustee only with the prior written consent of the City.

Section 5.03. Notices. Any request, demand; authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the City or the Trustee, respectively, shall be in writing and shall be hand delivered, sent by electronic-mail, facsimile transmission, by first-class United States mail, postage prepaid or such other readily accessible electronic means (so long as such recipient shall agree to the receipt of information by such means), to the addresses set forth below:

If to the City:	City of Compton 205 S. Willowbrook Avenue Compton, California 90220 Attention: City Manager
If to the Trustee:	U.S. Bank National Association 1420 Fifth Avenue, 7 th Floor Seattle, Washington 98101 Attention: Global Corporate Trust Services

Section 5.04. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 5.05. Successors and Assigns. All covenants and agreements herein by the City shall bind its successors and assigns, whether so expressed or not.

Section 5.06. Severability. In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 5.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 5.08. Entire Agreement. This Trust Agreement, the Resolution and the Accompanying Document constitute the entire agreement between the parties hereto and if any conflict exists between this Trust Agreement, the Resolution and the Accompanying Document, the Resolution and the Accompanying Document shall govern.

#11.

Section 5.09. Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 5.10. Termination. This Trust Agreement will terminate on the date of final payment of the principal of and interest on the 2014 -15 TRANs to the Owner thereof or may be earlier terminated by any party upon 60 days written notice; provided, however, an early termination of this Trust Agreement shall not be effective until (a) a successor Trustee has been appointed by the City and such appointment accepted and (b) notice has been given to the Owner of the 2014 -15 TRANs of the appointment of a successor Trustee.

Section 5.11. Governing Law. This Trust Agreement shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement as of the day and year first above written.

CITY OF COMPTON

By _____
City Manager

ATTESTED:

By: _____
City Clerk
City Council of City of Compton

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

\$12,200,000
CITY OF COMPTON, CALIFORNIA
2014-15 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

NOTE PURCHASE AGREEMENT

July __, 2014

City of Compton, California
 205 S. Willowbrook Avenue
 Compton, California 90220

IFS Securities, Inc.
 3414 Peachtree Road, N.E., Suite 1020
 Atlanta, Georgia 30326

IFS Securities, Inc (the "Underwriter"), hereby offers to enter into this Note Purchase Agreement (this "Note Purchase Agreement") with the City of Compton (the "City"), a municipal corporation organized and existing under the Charter of the City, as amended (the "City Charter") and the Constitution and laws of the State of California (the "State"), for the purchase by the Underwriter and the sale by the City of the Notes (as hereinafter defined) referred to in Section 1 hereof which upon written acceptance of this offer will be binding upon the City and the Underwriter. This offer is made subject to the written acceptance hereof by the City and the Underwriter on or before 5:00 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. Upon such acceptance, execution and delivery, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter. This Agreement is effective as of the date set forth above (the "Effective Date").

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agree to purchase from the City, and the City hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$12,200,000 aggregate principal amount of the City of Compton, California 2014-15 Tax and Revenue Anticipation Notes, Series A (the "Notes") issued pursuant to a resolution adopted by the City Council of the City on July __, 2014 entitled "A Resolution of the Council of the City of Compton, California Authorizing the Issuance and Sale of Tax and Revenue Anticipation Notes, Series A for Fiscal Year 2014-15 in an Aggregate Principal Amount Not to Exceed \$12,500,000" (the "Resolution") and subject to the terms and conditions set forth in the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2014-15 Tax and Revenue Anticipation Notes dated as of July __, 2014 (the "Accompanying Document"). The Notes shall be dated July __, 2014, shall mature on June 1, 2015 and bear interest at ____% per annum. The purchase price for the Notes shall be ____% of the principal amount of the Notes.

Section 1. Purchase and Sale of the Notes and the Limited Offering Memorandum.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agree to purchase from the City, and the City hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$12,200,000 aggregate principal amount of the City of Compton, California 2014-15 Tax and Revenue Anticipation Notes, Series A (the "Notes") issued pursuant to a resolution adopted by the City Council of the City on July __, 2014 entitled "A Resolution of the Council of the City of Compton, California Authorizing the Issuance and Sale of Tax and Revenue Anticipation Notes, Series A for Fiscal Year 2014-15 in an Aggregate Principal Amount Not to Exceed \$12,500,000" (the "Resolution") and subject to the terms and conditions set forth in the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2014-15 Tax and Revenue Anticipation Notes dated as of July __, 2014 (the "Accompanying Document"). The Notes shall be dated July __, 2014, shall mature on June 1, 2015 and bear interest at ____% per annum. The purchase price for the Notes shall be ____% of the principal amount of the Notes.

(b) Notes shall be as described in the Accompanying Document, and shall be issued and secured under and pursuant to the provisions of Section 1403 of the City Charter, together with Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (collectively, the "Authorizing Law"), the Resolution and the Trust Agreement, dated as of July 1, 2014 (the "Trust Agreement") by and between the City and U.S. Bank National Association, as trustee (the "Trustee").

(c) Upon the terms and conditions and in reliance on the representations, warranties and covenants contained in this Purchase Agreement, the Underwriter agrees to purchase from the City and the City hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$12,200,000 City of Compton, California 2014-15 Tax and Revenue Anticipation Notes, Series A at the Purchase Price set forth below. The purchase price for the Notes shall be \$ _____ (which price represents the par amount of \$ _____, less an underwriters' discount of \$ _____, [plus][less] net original issue [premium][discount] of \$ _____) [plus accrued interest, if any, to the Closing Date] (the "Series 2014A Purchase Price");

(d) The Purchase Price of the Notes shall be payable by the Underwriter to the City on the Closing Date (as defined herein), by wire transfer of Federal Funds as provided in Section __ below. Capitalized but undefined terms used herein shall have the meanings assigned thereto in the hereinafter described Limited Offering Memorandum and the hereinafter described Trust Indenture, as applicable.

(e) The Underwriter acknowledges that, as provided in the Authorizing Law, the 2014-15 TRAns, and the interest thereon, are general obligations of the City, payable from certain unencumbered moneys, including the taxes, income, revenues, cash receipts, and other moneys deposited in inactive or term deposits, received or accrued by the City during Fiscal Year 2014-15 that are lawfully available for such purpose (collectively, the "Unrestricted Revenue"). Taxes, income, revenues, cash receipts and other moneys received by the City and encumbered for a special purpose shall not be available for payment of the 2014-15 TRAns (the "Unavailable Revenue"), unless an equivalent amount of the proceeds from the 2014-15 TRAns is set aside for and used for said special purpose. Unavailable Revenue shall include, but not be limited to: funds collected by or on behalf of the City for the City retirement fund, water fund and street lighting fund.

The City acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Purchase Agreement is an arm's-length, commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), financial advisor or fiduciary to the City, (ii) the Underwriter has not assumed (individually or collectively) any advisory or fiduciary responsibility to the City with respect to this Purchase Agreement, the offering of the Notes and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the City on other matters), (iii) the only obligations the Underwriter has to the City with respect to the transactions contemplated hereby are set forth in this Purchase Agreement, (iv) the Underwriter has financial and other interests that differ from those of the City and (v) the City has consulted with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the offering and sale of the Notes.

Section 2. Description of Financing. The following is provided for informational purposes only and shall not affect or control the actual terms and conditions of the Series 2014 Bonds.

The City is authorized to borrow money pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended, and Charter of the City of Compton (as amended, the "**City Charter**") Section 1403 (collectively, the "**Authorizing Law**"), for the purposes authorized by California Government Code Section 53852 and the City Charter, respectively, such indebtedness to be represented by a note or notes of the City.

The Notes shall be as authorized by and issued and secured under the Resolution, Trust Agreement, Accompanying Document and the Direction Letter, in a limited public offering pursuant to the Preliminary Limited Offering Memorandum of the City, dated July __, 2014, including the cover page and Appendices thereto, relating to the Notes (together with any documents incorporated therein by reference and any supplements or amendments thereto, and as disseminated in its printed physical form or in electronic form materially consistent with such physical form, the "Preliminary Limited Offering Memorandum"), as amended to conform to the terms of this Note Purchase Agreement and with such changes and amendments, and executed by an authorized representative of the City, is hereinafter called the "Limited Offering Memorandum."

The proceeds of the Notes will be deposited in the 2014-14 TRAns Proceeds Fund held by the Trustee and used to (i) pay current Fiscal Year 2014-15 expenditures and to discharge other obligations or indebtedness of the City in accordance with the Authorizing Law and the provisions of the Tax Certificate and (ii) pay certain costs of issuance with respect to the Notes .

Section 3. Delivery of Preliminary Limited Official Memorandum and Limited Official Memorandum; Offering of Notes. The City hereby authorizes the distribution by the Underwriter of the hereinafter described Limited Official Memorandum in connection with the public offering and sale of the Notes. The City consents to and ratifies the use by the Underwriter of the Preliminary Limited Official Memorandum dated July __, 2014 (such Preliminary Limited Official Memorandum, including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto and any amendments and supplements thereto that may be authorized by the City for use with respect to the Notes, being herein called the "Preliminary Limited Official Memorandum ") relating to the Notes for the purposes of marketing the Notes in connection with the

original public offer, sale and distribution of the Notes by the Underwriter. As of its date, the Preliminary Limited Official Memorandum was "deemed final" by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") promulgated under the Exchange Act (the "Rule"), except for the permitted omissions described in paragraph (b) (1) of the Rule.

Section 4. Certain Covenants and Agreements of the City. The City covenants and agrees to apply the proceeds from the sale of the Notes as provided in the Resolution, the Accompanying Document, the Trust Agreement and the Direction Letter dated July __, 2014 (the "Direction Letter") from the City to the County of Los Angeles (the "County"), and agreed to and acknowledged by the Trustee and the Auditor-Controller of the County, subject to all of the terms, conditions and provisions of the Resolution, the Accompanying Document; the Trust Agreement and the Direction Letter, and not knowingly to take or omit to take any action which will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Notes, in that the City agrees to comply with the provisions of the Tax Certificate executed by the City at the time of delivery of the Notes (the "Tax Certificate").

Section 5. Representations and Warranties of the City. The City represents and warrants to the Underwriter, as of the date hereof, as follows:

(a) The City is a municipal corporation organized and existing under a charter duly adopted pursuant to the provisions of the Constitution of the State and has full legal right, power and authority under the Resolution, and at the date of the Closing will have full legal right, power and authority under the Authorizing Law and the Resolution (i) to enter into this Note Purchase Agreement, the Continuing Disclosure Agreement dated as of July 1, 2014 (the "Continuing Disclosure Agreement"), by and between the City and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent"), the Trust Agreement and the Direction Letter, to execute the Accompanying Document and to adopt the Resolution, (ii) to sell, issue and deliver the Notes to the Purchaser as provided herein, and (iii) to carry out and consummate the transactions contemplated by this Note Purchase Agreement, the Resolution, the Accompanying Document, the Continuing Disclosure Agreement, the Trust Agreement, the Direction Letter and the Limited Offering Memorandum; and the City has complied and will at the Closing be in compliance in all material respects with the terms of the Authorizing Law and the Resolution as they pertain to such transactions;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly adopted the Resolution at a meeting of the City Council called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Notes, the Resolution, the Accompanying Document, the Continuing Disclosure Agreement, the Trust Agreement, the Direction Letter and this Note Purchase Agreement, and the consummation by it of all other transactions contemplated by the Limited Offering Memorandum, the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter, the Continuing Disclosure Agreement and this Note Purchase Agreement. The Resolution, the Accompanying Document, the Trust Agreement, assuming due authorization, execution and delivery by the Trustee, the Continuing Disclosure Agreement, assuming due authorization, execution and delivery by the Dissemination Agent, the Direction Letter and this Note Purchase Agreement, assuming due authorization, execution and delivery hereof by the

Underwriter, constitute legal, valid and binding obligations of the City, are enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights, the application of general principles of equity if equitable remedies are sought and to the extent the indemnification provisions in this Note Purchase Agreement may be limited by applicable federal and state securities laws; the Notes, when issued, authenticated and delivered to the Underwriter in accordance with the Resolution, the Accompanying Document, the Trust Agreement and this Note Purchase Agreement will constitute legal, valid and binding general obligations of the City entitled to the benefits of, and payable from sources specified in, the Resolution, the Accompanying Document, the Trust Agreement and the Direction Letter and enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights and the application of the general principles of equity if equitable remedies are sought and to the extent the indemnification provisions in this Note Purchase Agreement may be limited by applicable federal and state securities laws; upon the issuance, authentication and delivery of the Notes, the Resolution will provide, from time to time for the benefit of the registered owner of the Notes, the legal, valid and binding pledge of and lien on the Pledged Moneys (as defined in the Resolution and the Accompanying Document) it purports to create, subject only to the provisions of the Resolution and the Accompanying Document permitting the application thereof on the terms and conditions set forth in the Resolution and the Accompanying Document;

(c) All authorizations, approvals, licenses, permits, consents and orders of any State governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or, to the best knowledge of the City, the absence of which would materially adversely affect the due performance by the City of its obligations under, this Note Purchase Agreement, the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter, the Continuing Disclosure Agreement and the Notes have been duly obtained, except for such approvals, consents and orders as are stated in the Limited Offering Memorandum as yet to be obtained or as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Notes;

(d) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the Notes, the Resolution, Accompanying Document, the Trust Agreement, the Direction Letter, the Continuing Disclosure Agreement, and this Note Purchase Agreement or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(e) To the best knowledge of the City except as set forth in the Limited Offering Memorandum, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending in which service of process has been completed, or threatened against the City, (i) affecting the corporate existence of the City or the titles of its executive officers to their respective offices, or (ii) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Notes or the pledge of and lien on the Pledged Moneys of the City pursuant to the Resolution or (iii) in any way contesting or affecting the validity or enforceability of the Notes, the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter, the Continuing Disclosure Agreement, or this Note Purchase Agreement, or (iv) contesting the exclusion from gross income of interest on the Notes for federal income tax purposes, nor, to the best

knowledge of the City, is there any basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence, or (v) contesting the powers of the City for the issuance of the Notes, the adoption of the Resolution or the execution and delivery of this Note Purchase Agreement, the Accompanying Document, the Trust Agreement, the Direction Letter and the Continuing Disclosure Agreement nor is there any reasonable basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes, the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter, the Continuing Disclosure Agreement or this Note Purchase Agreement;

(f) The financial statements of the City in the Limited Offering Memorandum fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth, and the available audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) the other financial information with respect to the City including the Cash Flows, and the budget information included therein, has not been audited and the City has a reasonable basis to believe in the truth and accuracy of the information provided therein.

(g) The City has agreed to execute and deliver the Continuing Disclosure Agreement, at or prior to the Closing, in substantially the form attached to the Limited Offering Memorandum as APPENDIX __ – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

(h) than the hereinafter defined Excluded Sections, the information concerning the City contained in the Preliminary Limited Offering Memorandum is, and such information in the Limited Offering Memorandum as of the Closing Date will be (and as the same may be supplemented or amended, consistent with Section 3(c) hereof) true and correct in all material respects and does not and will not, as applicable, contain any untrue statement of a material fact or omit to state a material fact which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and (ii) notwithstanding the foregoing, the City has not provided the information in and does not provide any assurance that the information contained in the sections or appendices, as the case may be, captioned "BOOK-ENTRY ONLY SYSTEM," "TAX MATTERS," APPENDIX __ – “FORM OF OPINION OF CO-BOND COUNSEL,” APPENDIX __ “COPIES OF MACIAS GIN & O’CONNELL LLP REPORTS” (THE “Excluded Sections”) in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum is true and correct in all material respects; provided, however, that nothing has come to the attention of the City which would cause it to reasonably believe that anything contained in the Excluded Sections contains any untrue statement of a material fact or omits to state a material fact which is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

All representations, warranties and agreements of the City shall remain operative and in full force and effect, regardless of any investigations made by or on the Underwriter's behalf, and shall survive the delivery of the Notes.

Any certificate signed by any of the City's authorized officers and delivered to the Underwriters shall be deemed a representation and warranty by it to the Underwriters as to the statements made therein.

Section 6. Closing. At 8:00 a.m., California time, on July ___, 2014, or at such other time and date as shall have been mutually agreed upon by the City and the Underwriter, the City will, subject to the terms and conditions hereof, deliver the Notes to the Purchaser duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Notes as set forth in Section 1 hereof by Federal Reserve wire of immediately available funds payable to the order of the City. Such delivery of and payment for the Notes is referred to herein as the "Closing". Delivery of the Notes shall be made at, or, in accordance with the operating procedures thereof, through DTC. The Notes shall be delivered in fully registered form, without coupons, bearing CUSIP number(s) and registered in the name of Cede & Co. and shall be made available to the Underwriter before the Closing for purposes of inspection. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Note nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriter to accept delivery of and pay for the Notes on the date of Closing in accordance with the terms of this Note Purchase Agreement.

Section 7. Conditions to Closing. The Underwriter has entered into this Note Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered on the date hereof and upon the performance by the City of its obligations hereunder as of the date hereof.

At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

- (i) At the time of the Closing, the City documents shall be in full force and effect and shall not have been repealed or amended in any material way since the date of this Purchase Agreement unless agreed to by the Underwriter;
- (ii) A certificate of the City in substantially the form of Exhibit A attached hereto;
- (iii) An approving opinion, dated the date of Closing, of Gonzalez Saggio & Harlan LLP, Bond Counsel, addressed to the City, substantially in the form of Exhibit B attached hereto, together with a reliance letter of Bond Counsel dated the Closing Date and addressed to the Underwriter, substantially in the form of Exhibit C attached hereto;
- (iv) A supplemental opinion of Bond Counsel, addressed to the City and the Underwriter, dated the date of Closing, in substantially the form of Exhibit D hereto;
- (v) An opinion, dated the date of Closing, of City Attorney, as counsel to the City and addressed to the Underwriter, in substantially the form of Exhibit E hereto;
- (vi) An opinion of Underwriter's Counsel in substantially the form attached hereto, provided, however, that the Underwriter shall not be excused from its obligation hereunder to purchase all of the Notes if Underwriter's Counsel shall fail to deliver such opinion at Closing for any reason other than there having occurred to their knowledge an event or circumstance prior to Closing that for a valid legal basis prevents Underwriter's Counsel from rendering the opinion attached hereto and provided further that if such event or circumstance became a matter of actual knowledge of the Underwriter or Underwriter's Counsel one or more days prior to the Closing Date, either or both shall

have informed the City of such event or circumstance and the valid legal basis which prevents Underwriter's Counsel from delivering their opinion so that the City has a reasonable opportunity to cure, or address by supplement to the Limited Offering Memorandum, prior to Closing;

(vii) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's representations and warranties contained herein and of the statements and information contained in the Limited Offering Memorandum and the due performance or satisfaction by the City on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the City.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Note Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriter.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Notes contained in this Note Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Notes shall be terminated for any reason permitted by this Note Purchase Agreement, this Note Purchase Agreement shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Sections ___ and ___ hereof shall continue in full force and effect.

Section 8. Termination. Except for the City's obligation to indemnify the Underwriter and the Financial Advisor, which shall survive the termination of this Note Purchase Agreement, this Note Purchase Agreement shall terminate when the Notes have been purchased by the Purchaser.

Section 9. Indemnification. (a) To the maximum extent permitted by law, the City agrees to indemnify and hold harmless the Underwriter and its respective officers, directors, employees and their agents (each, an "Indemnatee") from and against any and all claims, damages, penalties, actions, losses, liabilities, judgments, suits and reasonable costs or expenses (including, without limitation, reasonable attorney's fees and expenses) whatsoever which an Indemnatee may incur (or which may be claimed against an Indemnatee by any person or entity whatsoever) by reason of or in connection with any action, proceeding or investigation (whether or not the Purchaser is a party thereto) arising from the entering into and/or performance of this Note Purchase Agreement or any Related Document or the use of the proceeds of this Notes or the consummation of any transactions contemplated herein or in the Resolution, the Accompanying Document, the Trust Agreement or the Direction Letter, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such action, proceeding or investigation (but excluding any such claims, damages, penalties, actions, losses, liabilities, judgments, suits and reasonable costs or expenses, to the extent incurred by reason of the gross negligence or willful misconduct of the Indemnatee, including the sale, transfer or participation of the Notes in violation of Section 4 hereof).

(b) Promptly after receipt by an Indemnatee of notice of the commencement of any action, proceeding, or investigation in respect of which indemnity or reimbursement may be sought as provided above (each, an "Indemnified Claim"), such Indemnatee will notify the City in writing of the receipt or commencement thereof, but the failure of an Indemnatee to notify the City with respect to a particular

action, proceeding or investigation shall not relieve the City from any obligation or liability which it may have pursuant to this Section with respect to such action, proceeding or investigation, or which it may have otherwise than pursuant to this Note Purchase Agreement with respect to any action, proceeding, or investigation, except to the extent such failure to so notify the City with respect to a particular action, proceeding or investigation results in substantial prejudice to the City, in which case the City's indemnification and reimbursement obligations shall be reduced to the extent of such prejudice.

(c) The City shall be entitled at its own expense to participate in and control the defense of any action, proceeding or investigation with counsel reasonably satisfactory to such Indemnitee. Notwithstanding the preceding sentence, an Indemnitee will be entitled to employ counsel separate from counsel for the City and from any other party in such action, proceeding or investigation and to participate in the action, proceeding, or investigation, and the City shall bear the fees and expenses of such separate counsel (and shall pay such fees and expenses as and when incurred), only if the Indemnitee and the counsel selected pursuant to the preceding sentence shall have reasonably concluded that there may be one or more legal defenses available to the Indemnitee which are different from or additional to those available to the City and which cannot be adequately raised by the selected counsel for conflict reasons. Each Indemnitee shall cause its counsel to cooperate with the City in the defense of any action, proceeding or investigation to the extent consistent with its professional responsibilities. The City shall not be liable for the settlement by any Indemnitee of any action, proceeding or investigation effected without its consent, which consent will not be unreasonably or untimely withheld. The City shall not settle or compromise any action, proceeding or investigation, or permit a default or consent to the entry of any judgment with respect thereto, unless such settlement, compromise, default or consent includes, as an unconditional term thereof, the giving by the party other than the City thereto of an unconditional general release to all Indemnities from all liability in respect of such action, proceeding, or investigation.

Section 10. Representations and Warranties of the Underwriter. The Underwriter represents and warrants to the City that:

- (a) The Underwriter is duly organized and validly existing under the laws of _____ and is duly authorized to transact business in the State;
- (b) The Underwriter has been duly authorized to execute this Purchase Agreement.
- (c) The Underwriter has the full power and authority to take all actions required or permitted to be taken by or under, and to perform and observe the covenants and agreements on its part contained in, this Purchase Agreement;
- (d) This Purchase Agreement has been duly executed and delivered by the Underwriter;
- (e) The Underwriter represents that it is either registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") as a broker-dealer and the MSRB as a municipal securities dealer, or is otherwise registered with the necessary regulatory authorities required for it to serve as an Underwriter for the Notes under this Purchase Agreement, and that at all times during the offering and sale of the Notes it will continue to be so registered; and

(f) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of the Underwriter, threatened against or affecting the Underwriter, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Limited Offering Memorandum or the validity and legality of this Purchase Agreement or the Limited Offering Memorandum. To the best of the knowledge of the undersigned Authorized Signatory of the Underwriter, the Underwriter is in compliance with the rules and regulations of FINRA (to the extent it is regulated by the FINRA) and any other body which regulates the Underwriter, as it relates to all transactions contemplated by this Purchase Agreement.

(g) The foregoing representations and warranties of the Underwriter and the obligations set forth under Section ____ hereof shall survive the execution and delivery of this Purchase Agreement, the execution and delivery of the Notes and the instruments and documents contemplated thereby.

Section 11. Expenses. (a) The Underwriter shall be under no obligation to pay and the City shall pay or cause to be paid the expenses incident to the performance of the obligations of the City hereunder including but not limited to (i) the cost of preparing, printing, issuing and delivering the definitive Notes and each of the legal documents, including the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum and any supplements and amendments thereto, (ii) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the City, and (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel.

(b) All out-of-pocket expenses of the Underwriter, including the fees of the California Debt and Investment Advisory Commission, fees of the Underwriter's counsel, and other expenses (except as provided above), shall be paid by the Purchaser.

Section 12. Notices. Any notice or other communication to be given to the City under this Note Purchase Agreement may be given by delivering the same in writing to: City of Compton, 205 S. Willowbrook Avenue, Compton, California 90220, Attention: City Treasurer; any notice or other communication to be given to the Underwriter under this Note Purchase Agreement may be given by delivering the same in writing to: IFS Securities, Inc., 3414 Peachtree Road, N.E., Suite 1020, Atlanta Georgia 30326, Attention: Craig Walker, Vice President.

Section 13. Parties in Interest. This Note Purchase Agreement shall constitute the entire agreement among the City and the Underwriter and is made solely for the benefit of the City and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. Any remedy which the Underwriter may have at law or in equity by reason of the breach of any representation or warranty of the City made herein shall not expire upon, nor be limited by, (i) delivery of and payment for the Notes pursuant to this Note Purchase Agreement, (ii) any investigations made by or on behalf of the Underwriter or (iii) termination of this Note Purchase Agreement; provided, however, that such representations and warranties are made only as of the date of this Note Purchase Agreement and as of the date of the Closing and are not continuing.

Section 14. Effectiveness. This Note Purchase Agreement shall become effective upon the acceptance hereof by the City and shall be valid and enforceable at the time of such acceptance.

Section 15. Choice of Law. This Note Purchase Agreement shall be governed by and construed in accordance with the law of the State applicable to contracts made and performed in such State.

Section 16. Entire Agreement. This Note Purchase Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Note Purchase Agreement) that relate to the offering of the Notes, represents the entire agreement between the City and the Underwriter with respect to the preparation of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum, and the conduct of the offering, and the purchase and sale of the Notes.

Section 17. Representative Capacity. Any authority, right, discretion or other power conferred upon the Underwriter under any provision of this Note Purchase Agreement may be exercised by the Underwriter, and the City shall be entitled to rely upon any request, notice or statement if the same shall have been given or made by the Underwriter. The Underwriter represents that it has been duly authorized to execute this Note Purchase Agreement and to take such action as it may deem advisable in respect of all matters pertaining to this Note Purchase Agreement.

Section 18. Severability. If any provision of this Note Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Note Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

Section 19. Headings. Section headings have been inserted in this Note Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Note Purchase Agreement and will not be used in the interpretation of any provisions of this Note Purchase Agreement.

Section 20. Counterparts. This Note Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

Section 21. Effective Date. This Purchase Agreement shall become effective upon acceptance hereof by the City.

Very truly yours,

IFS SECURITIES, INC.,

BY: _____

#11.

Authorized Officer
CITY OF COMPTON

BY: _____

G. Harold Duffey

City Manager

Approved as to form: CRAIG CORNWELL

EXHIBIT A

FORM OF CITY CLOSING CERTIFICATE

I, G. Harold Duffy, City Manager of the City of Compton (the "City"), acting on behalf of the City, solely in my official capacity and not in my personal capacity, hereby certify in connection with the issuance and delivery of \$12,200,000 aggregate principal amount of the City's 2014-15 Tax and Revenue Anticipation Notes (the "Notes"), that:

(i) I am a duly qualified and acting representative of the City and as such am familiar with the facts herein certified and am authorized and qualified to certify the same.

(ii) I am acting on behalf of the City solely in my official capacity, and not in any personal capacity whatsoever.

(iii) The City has performed all its obligations required under or specified in Resolution No. _____ of the City Council of the City adopted on July ___, 2014 (the "Resolution"), the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2014-15 Tax and Revenue Anticipation Notes dated as of July 1, 2014 (the "Accompanying Document"), the Trust Agreement dated as of July 1, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), the Direction Letter dated July ___, 2014 from the City to the County of Los Angeles, and the Note Purchase Agreement dated July ___, 2014 (the "Purchase Agreement") by and among the City, and IFS Securities, Inc., as required to be performed at or prior to the date hereof.

(iv) The representations and warranties of the City contained in the Note Purchase Agreement, the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter and the Continuing Disclosure Agreement dated as of July 1, 2014, by and between the City and U.S. Bank National Association, as dissemination agent, are true and correct in all material respects on and as of the date hereof, and the Note Purchase Agreement, the Resolution, the Accompanying Document, Trust Agreement, the Direction Letter and the Continuing Disclosure Agreement, are in full force and effect and have not been amended, modified or changed.

(v) There does not exist an Event of Default (as defined in the Accompanying Document) as of the date hereof or which with the giving of notice or the lapse of time would constitute a default or Event of Default.

(vi) To the best of my knowledge, the Limited Offering Memorandum dated July ___, 2014 (together with all appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto, and as disseminated in its printed physical form or in electronic form materially consistent with such physical form, the "Limited Offering Memorandum"), delivered pursuant to the Note Purchase Agreement, as of the date hereof does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading provided, however, the City makes no representation or warranty with respect to information contained in the Limited Offering Memorandum with respect to The Depository Trust Company, New York, New York or its book-entry system.

#11.

The City has complied in all respects with the Authorizing Law and has complied with and satisfied all the agreements and conditions on its part to be complied with or satisfied at or prior to the date of Closing pursuant to the Note Purchase Agreement, the Resolution, the Accompanying Document and the Trust Agreement.

(vii) To the best of my knowledge, since the date of the Limited Offering Memorandum, there has been no material adverse change in the condition, financial or otherwise, of the City.

All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Note Purchase Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of July, 2014.

CITY OF COMPTON

By: _____
G. Harold Duffey
City Manager

EXHIBIT B
FORM OF APPROVING OPINION OF BOND COUNSEL

#11.

EXHIBIT C
FORM OF RELIANCE LETTER OF BOND COUNSEL

July __, 2014

IFS Securities, Inc.
Atlanta, Georgia

Ladies and Gentlemen:

We deliver to you herewith a copy of our approving opinion as Bond Counsel dated the date hereof relating to the City of Compton's 2014-15 Tax And Revenue Anticipation Notes, Series A in the aggregate principal amount of \$_____. You are entitled to rely on such opinion as if the same were addressed to you.

Very truly yours,

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

July ___, 2013⁴ City of Compton

Compton, California

IFS Securities, Inc.
Atlanta, Georgia

Re: \$_____ City of Compton, California 2014-15 Tax and Revenue Anticipation
Notes

Ladies and Gentlemen:

This opinion is delivered to you in connection with the sale and issuance of the above-referenced notes (collectively, the "Notes") of the City of Compton (the "City"), in the aggregate principal amount of \$_____ pursuant to Section 6(a)(ii) of the Note Purchase Agreement dated July ___, 2014 (the "Purchase Agreement"), by and between the City and _____, as purchaser (the "Purchaser"). The Notes have been issued by the City pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended and Section 1403 of the City Charter of the City (collectively, the "Authorizing Law"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Note Purchase Agreement.

In rendering this opinion, we have examined a record of proceedings relating to the issuance of the Notes, and have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such documents, instruments or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion. In our capacity as Bond Counsel, we have rendered to the City our opinion dated the date hereof approving the validity of the Notes and certain other matters (the "Approving Opinion").

We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the Notes, the Note Purchase Agreement, the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter and the Limited Offering Memorandum that we have reviewed are true and accurate. As to questions of fact material to our conclusions herein, we have relied upon the representations of each party made in the foregoing documents, certificates and opinions, and we have made no independent investigation of such matters.

In accordance with our understanding with you, we rendered legal advice and assistance to you in the course of your investigation and negotiations pertaining to, and your participation in the preparation of, the Limited Offering Memorandum and the issuance and sale of the Notes.

Rendering such assistance involved, among other things, examinations, inquiries and discussions concerning various legal and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in in person and telephone conferences with representatives of the City, the Office of the City Attorney, the City's Financial Advisor, the Underwriter and its counsel, and others during which the contents of the Limited Offering Memorandum and related matters were discussed and reviewed.

The limitations inherent in the independent verification of factual matters and the character of determinations involved in the preparation of the Limited Offering Memorandum are such, however, that we have necessarily assumed the accuracy, completeness and fairness of and take no responsibility for any of the statements made in the Limited Offering Memorandum. We have also assumed but have not independently verified that the signatures on all documents and certificates that we examined were genuine.

Based upon the foregoing and in reliance thereon and on all matters of fact and as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Trust Agreement, the Direction Letter` and the Note Purchase Agreement have been duly executed and delivered by the City and, assuming due authorization, execution and delivery by and validity against the other parties thereto, are legally valid and binding obligations of the City enforceable against the City in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California.

2. The statements contained in the Limited Offering Memorandum with respect to the Notes dated July ___, 2014 under the captions "The Notes" and "Tax Matters", insofar as such statements expressly summarize certain provisions of the Authorizing Law, the Notes, the Accompanying Document and the Resolution and our approving opinion are accurate in all material respects.

3. On the basis of the information developed in the course of the performance of the services referred to above, considered in light of our understanding of the applicable law and experience we have gained through our practice thereunder, we are of the opinion, subject to the limitations expressed herein, that as of the date hereof we have no reason to believe that the Limited Offering Memorandum (excluding therefrom financial, engineering, numerical and statistical data or forecasts, estimates, projections, assumptions or expressions of opinion included therein, and information relating to The Depository Trust Company, New York, New York and its book-entry system, as to all of which we express no opinion) as of its date and as of the date hereof contained or

#11.

contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except as aforesaid). Except as set forth in paragraphs 2 and 3, we undertake no responsibility for the accuracy, completeness or fairness of any Limited Offering Memorandum or other offering materials relating to the Notes and express herein no opinion relating thereto.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

The foregoing opinions are qualified to the extent that the enforceability of the Notes, the Resolution, the Accompanying Document, the Direction Letter and the Trust Agreement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity regardless of whether such enforceability is considered in equity or at law.

This letter is furnished by us as Bond Counsel and Disclosure Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the offering of the Notes and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Notes.

Very truly yours,

EXHIBIT E
FORM OF OPINION OF CITY ATTORNEY

July __, 2014

San Francisco, California

Re: \$_____ City of Compton, California 2014-15 Tax and Revenue Anticipation
 Notes

Ladies and Gentlemen:

This opinion is rendered as counsel to the City of Compton (the "City") in accordance with the requirements of Section 6(a)(iv) of the Note Purchase Agreement dated July __, 2014 (the "Note Purchase Agreement"), by and among the City, and IFS Securities, Inc., (the "Underwriter"), with respect to \$_____ aggregate principal amount of City of Compton, California 2014-15 Tax and Revenue Anticipation Notes (the "Notes"). All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Note Purchase Agreement.

The Notes are issued pursuant to a resolution of the City Council of the City adopted on July __, 2014, entitled "A Resolution of the Council of the City of Compton, California Authorizing the Issuance and Sale of Tax and Revenue Anticipation Notes for Fiscal Year 2014-15 in an Aggregate Principal Amount Not to Exceed \$12,500,000" (the "Resolution"). The Note Purchase Agreement, the Trust Agreement, the Accompanying Document, and the Continuing Disclosure Agreement are referred to herein collectively as the "City Legal Documents."

In our capacity as City Attorney to the City in connection with the issuance of the Notes, we have examined such certified copies of proceedings and documents for the issuance of the Notes, as we deemed necessary for purposes of rendering this opinion. As to relevant factual matters, we have relied upon, among other things, the City's factual representations contained in the City Legal Documents and the Limited Offering Memorandum.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies.

From such examination, on the basis of our reliance upon the assumptions in this opinion and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The City is a charter city, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California.

2. The Resolution was duly adopted by the City Council of the City (the "City Council") at a regular meeting of the City Council held on July __, 2013 pursuant to law and with all public notice

required for a regular meeting pursuant to the Ralph M. Brown Act (California Government Code Section 54950 *et seq.*), and at which a quorum of the City Council was present and acting throughout.

3. The Resolution has not been modified, amended, rescinded or revoked and is in full force and effect.

4. To the best of our knowledge, the issuance of the Notes does not in any material respect conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound. We express no opinion as to the effect of the City's performance of its obligations under the City Legal Documents on the City's compliance with financial covenants in such agreements, indentures, mortgages, leases or material instruments.

5. To the best of our knowledge, no action, suit, proceeding, inquiry or investigation is pending in which service of process upon the City has been completed and received by the City, or threatened against the City: (a) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the City pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, the Note Purchase Agreement, any of the other City Legal Documents, or the Resolution, or contesting the powers of the City or its authority with respect to the Notes, the Note Purchase Agreement, any of the other City Legal Documents, or the Resolution; or (b) in which a final, adverse decision by a court of competent jurisdiction would (i) materially adversely affect the consummation of the transactions contemplated by the Note Purchase Agreement, any of the other City Legal Documents, or the Resolution, or (ii) declare the Note Purchase Agreement or any of the other City Legal Documents to be invalid or unenforceable in whole or material part.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the City Legal Documents.

We express no opinion as to any provision requiring written amendments or waivers insofar as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed upon by the parties or that the doctrine of promissory estoppel might not apply.

Whenever a statement herein is qualified by "to the best of our knowledge," it shall be deemed to indicate that, during the course of our representation of the City in connection with the financing described herein, no information that would give us current, actual knowledge of the inaccuracy of such statement has come to our attention. We have not, however, undertaken any independent investigation to determine the accuracy of such statements, and any limited inquiry undertaken by us during the preparation of this opinion letter should not be regarded as such investigation. No inference as to our knowledge of any matters bearing upon the accuracy of any such statement should be drawn from the fact of our representation of the City.

A court may refuse to enforce a provision of the City Legal Documents if it deems that such provision is in violation of public policy. No opinion is being given as to the availability of any particular remedy.

This opinion is based on such examination of the present laws of the State of California as we deemed relevant for the purposes of this opinion, and we have not considered the effect, if any, or express any opinion as to the laws of any other jurisdiction. We express no opinion as to the status of the Notes or the interest thereon, or the City Legal Documents under any federal securities laws or any state securities or "Blue Sky" law or any federal, state or local tax law. Without limiting any of the foregoing, we express no opinion as to any matter other than as expressly set forth above.

The opinions expressed herein are matters of professional judgment and are not a guaranty or warranty of any result whatsoever.

This opinion is furnished by us as City Attorney to the City. No attorney-client relationship has existed or exists between us and IFS Securities, Inc. in connection with the Notes or by virtue of this opinion. This opinion may be relied on by you only in connection with the issuance of the Notes. This opinion may not be used or relied upon for any other purpose or by any other person, nor may copies be delivered to any other person, without in each instance our prior written consent, provided however, that it may be included in the transcript of record of proceedings relating to the issuance of the Notes. This opinion is expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters. This letter speaks only as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that arise after the date of this opinion and come to our attention, or any future changes in laws, rules or regulations.

This opinion is given in an official capacity only, and not personally, and no personal liability shall derive or result from this opinion.

Very truly yours,

CRAIG J. CORNWELL
City Attorney

BY: _____
Craig J. Cornwell

RESOLUTION SIGN-OFF FORM

DEPARTMENT:

City Clerk

RESOLUTION TITLE:

A RESOLUTION OF THE COUNCIL OF THE CITY OF COMPTON,
CALIFORNIA AUTHORIZING THE ISSUANCE AND SALE OF TAX
AND REVENUE ANTICIPATION NOTES FOR FISCAL YEAR 2014-15
IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
12,500,000

<ManagersName>

DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>

DATE

REVIEW / APPROVAL

<LegalName>

CITY ATTORNEY

<LegalDate>

DATE

<ControllerName>

CITY CONTROLLER

<ControllerDate>

DATE

<CityManager>

CITY MANAGER

<CityManagerDate>

DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 22, 2014

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: CITY MANAGER

SUBJECT: **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONTRACT AND ISSUE A PURCHASE ORDER TO EUGENE BROWN DBA BROWN CONSTRUCTION FOR THE REPAIR AND UPGRADE OF JACKIE ROBINSON STADIUM AT GONZALES PARK**

SUMMARY

Adoption of the attached resolution by the City Council will provide for the completion of the repair and upgrade of the Jackie Robinson Stadium at Gonzales Park.

BACKGROUND

On March 4, 2014, the City Council adopted Resolution No. 23,910, "A Resolution of the City Council of the City of Compton Authorizing the City Manager to Accept the Settlement Check from Affiliated FM Insurance Company in the Amount of \$40,356.47 for Fire Property Damage at Gonzales Park (Jackie Robinson Stadium) The work was performed and completed in a satisfactory manner.

While performing the repairs to the fire damaged areas, additional work was identified, including but not limited to:

- Patching plaster at exterior and interior wall locations
- Applying skim coat at all plaster interior and exterior wall locations
- Removal and reinstallation of all metal bleachers (approximately 7,000 square feet in area)
- Demolition of wood subflooring, posts and framing due to wood dry rot (approximately 7,000 square feet in area)
- Installation of new wood subflooring and shingled moisture barrier system at bleacher locations
- Plaster skim coat all exterior stadium walls (approximately 5,500 square feet in area)
- Painting
- Clean-up and removal of trash and debris.

STATEMENT OF THE ISSUE

In April 2013, Brown Construction & Development submitted the lowest responsible estimate to perform the above referenced work at Gonzales Park. The other bidders were David Alvarez (\$79,500) and FGUC (\$89,987.79). Brown Construction bid was for \$62,727.20. The City's Staff believes that this work is necessary to complete the repairs associated with the damage done by the fire at Gonzales Park; and

FISCAL IMPACT

This is no impact to the 2014-2015 FY Budget. Funds are reserved in the 2013-2014 FY Budget in Account No. 1001-600-000-4269.

RECOMMENDATION

Staff recommends that the City Council of the City of Compton adopt the attached Resolution.

G. HAROLD DUFFEY
CITY MANAGER

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
COMPTON AUTHORIZING THE CITY MANAGER TO
ENTER INTO A CONTRACT AND ISSUE A PURCHASE
ORDER TO EUGENE BROWN DBA BROWN
CONSTRUCTION FOR THE REPAIR AND UPGRADE OF
JACKIE ROBINSON STADIUM AT GONZALES PARK**

WHEREAS, on March 4, 2014, the City Council adopted Resolution No. 23,910, “A Resolution of the City Council of the City of Compton Authorizing the City Manager to Accept the Settlement Check from Affiliated FM Insurance Company in the Amount of \$40,356.47 for Fire Property Damage at Gonzales Park (Jackie Robinson Stadium) and Amending the 2013-2014 Fiscal Year Budget”; and

WHEREAS, on April 17, 2014, Purchase Order No. D01274 was prepared to pay Eugene A. Brown \$40,356.47 from Account No. 1001-600-000-4269 in order to make repairs at Gonzales Park to the fire damaged area of Jackie Robinson Stadium; and

WHEREAS, in performing the repairs to the fire damaged areas, additional work was needed, including but not limited to:

- Patching plaster at exterior and interior wall locations
- Applying skim coat at all plaster interior and exterior wall locations
- Removal and reinstallation of all metal bleachers (approximately 7,000 square feet in area)
- Demolition of wood subflooring, posts and framing due to wood dry rot (approximately 7,000 square feet in area)
- Installation of new wood subflooring and shingled moisture barrier system at bleacher locations
- Plaster skim coat all exterior stadium walls (approximately 5,500 square feet in area)
- Painting
- Clean-up and removal of trash and debris.

WHEREAS, Brown Construction & Development submitted the lowest responsible estimate to perform the above reference work. The other bidders were David Alvarez (\$79,500) and FGUC (\$89,987.79). Brown Construction bid was for \$62,727.20; and

WHEREAS, funds are available in 2013-2014 FY Budget Account No. 1001-600-000-4269.

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

Section 1. That the City Manager is authorized to enter into an agreement with Eugene A. Brown (DBA) Brown Construction and Development to complete the repair of Jackie Robinson Stadium located in Gonzales Park.

Section 2. That Eugene A. Brown (DBA) Brown Construction and Development shall be paid an amount not to exceed \$63,000.00 which funds are available from 2013-2014 FY Budget Account No. 1001-600-000-4269.

Section 3. That copies of this Resolution shall be filed in the offices of the City Manager, City Controller, City Clerk, City Attorney, General Services and Parks and

Recreation Department.

Section 4. That the Mayor shall sign and City Clerk shall attest to the adoption of this Resolution.

ADOPTED this _____ day of _____, 2014.

MAYOR OF THE CITY OF COMPTON

ATTEST:

CITY CLERK OF THE CITY OF COMPTON

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

I, Alita 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 this _____ day of _____ 2014.

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

RESOLUTION SIGN-OFF FORM

DEPARTMENT: General Services

RESOLUTION TITLE: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A CONTRACT AND ISSUE A PURCHASE ORDER TO EUGENE BROWN DBA BROWN CONSTRUCTION FOR THE REPAIR AND UPGRADE OF JACKIE ROBINSON STADIUM AT GONZALES PARK

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
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City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

