

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 15, 2023

CAO File No. 0220-05291-1411

Council File No.

Council District: ALL

To: The Mayor
The Council

From: Matthew W. Szabo, City Administrative Officer  for

Subject: **REQUEST AUTHORIZATION FOR THE ISSUANCE AND SALE IN A PRINCIPAL AMOUNT UP TO \$210 MILLION OF MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2023-A (CAPITAL EQUIPMENT AND REAL PROPERTY), AND EXECUTION OF RELATED DOCUMENTS AND AN OMNIBUS LEASE AMENDMENT RELATING TO EXISTING MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES EQUIPMENT LEASES**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. ADOPT the Authorizing Resolution, which authorizes the issuance and sale in a principal amount up to \$210 million of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (Bonds) to be sold on a negotiated basis, and authorizes the execution and delivery of various bond documents in connection with the issuance and sale of the Bonds, and the execution and delivery of an Omnibus Lease Amendment relating to existing MICLA equipment leases;
2. ADOPT a Fund Ordinance to create a new special fund to record accounting transactions in connection with the Bonds;
3. ADOPT a Lease/Leaseback Ordinance to approve a lease and sublease between the City and MICLA of real property in connection with the Bonds;
4. INSTRUCT the Controller to create an account in the Capital Finance Administration Fund (Fund 100, Department 53) that will be used to pay for future lease payments entitled "MICLA 2023-A (Capital Equipment and Real Property)"; and
5. AUTHORIZE the City Administrative Officer to make technical corrections and adjustments as necessary to those transactions included in this report to implement the Mayor and Council intentions.

SUMMARY

The City Administrative Officer (CAO) requests authority for the issuance and sale in a principal amount up to \$210 million of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (Bonds). The Bonds will be issued on a tax-exempt basis to refinance approximately \$210 million of outstanding MICLA Commercial Paper (CP) notes used to finance and refinance the acquisition of capital equipment and the acquisition and improvement of real property.

The CAO recommends that the Bonds be sold on a negotiated basis. Given the volatility in the municipal market environment, a negotiated sale will allow for greater timing flexibility as to when and in what manner the Bonds are sold to achieve the lowest true interest cost to the City. The use of competitive bidding under Charter Section 371 to sell the Bonds would be undesirable and impractical and it is in the best financial interest of the City to propose to sell the Bonds through a negotiated sale. The bond sale is expected to close in early December.

To proceed with the sale of the Bonds, the Mayor and Council will need to approve and adopt the Authorizing Resolution (Attachment A), which incorporates and authorizes the execution and/or delivery of the Preliminary Official Statement, which includes the form of the Continuing Disclosure Certificate and the City of Los Angeles Information Statement (Appendix A), a final Official Statement, Indenture, Site and Equipment Lease, Lease Agreement, Assignment Agreement, and the Contract of Purchase. The Mayor and Council will also need to approve a Lease/Leaseback Ordinance and a Fund Ordinance, which will be submitted by the City Attorney under separate cover.

The approval and adoption of the Authorizing Resolution also authorizes the execution and delivery of the Omnibus Lease Amendment (Exhibit A). The purpose of the Omnibus Lease Amendment is to clarify and memorialize in prior lease arrangements between the City and MICLA that the City owns the capital equipment and leases it to MICLA. Then MICLA subleases the capital equipment back to the City.

This report contains the financing information of the proposed bond issuance as required by Section 5852.1 of the California Government Code. By placing this report on the Council Agenda, this financing information is being disclosed in a meeting open to the public.

FISCAL IMPACT STATEMENT

The issuance of the Bonds in an aggregate principal amount up to \$210 million will be payable from lease payments to be made by the City to MICLA pursuant to the Lease Agreement, which is an obligation of the General Fund, subject to annual appropriations in the Adopted Budget. The resulting semi-annual lease payments will be due on April 15 and October 15 in sufficient amounts to pay semi-annual debt service payments for the Bonds. The lease payments will be paid from funds in the Capital Finance Administration Fund (Fund 100, Department 53). The first lease payment will be due on April 15, 2024. There is no additional General Fund impact as sufficient funding is provided in the 2023-24 Adopted Budget to pay the first lease payment.

CITY FINANCIAL POLICIES STATEMENT

The issuance of the Bonds in an aggregate principal amount up to \$210 million and the payment of the supporting lease payments will not cause the City's debt service payments to exceed six percent of General Fund revenues for non-voter approved debt as established in the City's Financial Policies. After the issuance of the Bonds, the projected non-voter approved debt ratio is estimated to be 2.68 percent (Attachment B).

DEBT IMPACT STATEMENT

The Bonds will be payable from lease payments to be made by the City pursuant to the Lease Agreement, which is a General Fund obligation. These lease payments to MICLA will be annually budgeted in the Capital Finance Administration Fund (Fund 100, Department 53). The Bonds will be sized and sold such that the lease payments will be in sufficient amounts to pay debt service on the Bonds as and when due. Based on current market rates, the average annual debt service for the Bonds is estimated to be \$13.9 million over 20 years, through May 1, 2043. The total debt service, including total principal and interest, over the life of the Bonds is estimated to be approximately \$277 million. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. After the issuance of the Bonds, the projected non-voter approved debt ratio is estimated to be 2.68 percent (Attachment B).

FINDINGS

1. Background – Municipal Improvement Corporation of Los Angeles (MICLA)

MICLA is a non-profit public benefit corporation established by the City in 1984 to assist in the financing of capital projects and capital equipment. MICLA is directed by a five-person board whose members are self-appointed and confirmed by Council. MICLA serves as the lessee and sublessor in lease revenue transactions involving the City for the acquisition of capital equipment and acquisition and improvement of real property. All MICLA financings require the approval of the MICLA Board of Directors. The MICLA Board of Directors is scheduled to consider this Bond financing on October 3, 2023.

2. Background – MICLA Commercial Paper (CP) Program

The MICLA CP program was approved and established in June 2004 as a short-term borrowing tool for temporary construction financing and real property and capital equipment acquisitions. CP notes have maturities ranging from one to 270 days. Upon maturity, the CP notes are either re-sold in the short-term market or refinanced into long-term bonds, as is being done under this proposed financing. From time to time, the MICLA Board of Directors, Mayor, and Council have periodically approved increases to the MICLA CP Program. The current size of the MICLA CP Program is \$425 million. As of September 6, 2023 the amount of outstanding MICLA CP notes is \$322.9 million.

3. Uses of Bond Proceeds

The proposed bond issuance will be used to refinance approximately \$210 million of outstanding MICLA CP notes used to finance the acquisition of capital equipment and for the acquisition and improvement of real property. The Mayor and Council previously authorized the capital equipment and real property projects in various Adopted Budgets, Construction Projects Reports, and other interim reports.

The Costs of Issuance (COI) for this transaction includes fees for bond counsel, disclosure counsel, municipal advisor, rating agencies, trustee, printing, investor outreach, and underwriters' discount, which is the compensation the underwriters receive for marketing the Bonds, and other associated costs. The total COI for this financing is estimated to be \$844,645. The COI will be paid from bond proceeds.

4. Financing Team

The Municipal Advisor for this bond issuance is KNN Public Finance, LLC (KNN). The Mayor and Council previously approved KNN to provide municipal advisory services for the City's various bond programs (C.F. 23-0540). Nixon Peabody, L.L.P. serves as Bond Counsel and Stradling Yocca Carlson & Rauth, a Professional Law Corporation, serves as Disclosure Counsel. The legal counsel firms are on the City's qualified list for legal services for the City's various bond programs, previously approved by the Mayor and Council (C.F. 22-0248). As part of the process for selecting the underwriting team, the CAO disseminated a mini Request for Proposals on May 11, 2023 to

several underwriters from the City’s approved qualified list (C.F. 22-0195). The CAO reviewed proposals submitted by ten firms and recommends using the following underwriting team for the transaction: RBC Capital Markets, LLC as Senior Manager, Stifel, Nicolaus & Company, Incorporated as Co-Senior Manager, and Drexel Hamilton, LLC and Stern Brothers & Co. as Co-Managers. As a team, the underwriters selected have the underwriting capacity and extensive institutional and retail investor networks to support and sell the Bonds. In addition, Stern Brothers & Co. is a designated Women-Owned Business Enterprise (WBE) and Drexel Hamilton, LLC is a designated Service-Disabled Veteran Owned Enterprise (SDVE).

5. Certain Financing Information for the Bonds Pursuant to Section 5852.1 of the California Government Code

The table below contains the financing information required by Section 5852.1 of the California Government Code. The amounts below, prepared by the Municipal Advisor, are good faith estimates and subject to change as rates are dependent on market conditions at the time of issuance.

1. True interest cost of the bonds (TIC);
2. Finance charge of the bonds (COI);
3. Amount of proceeds received from the sale of the bonds less Costs of Issuance (Proceeds Amount); and
4. Total payment amount (Total Debt Service)

1) TIC	2) COI	3) Proceeds Amount	4) Total Debt Service
3.76 percent	\$844,645	\$207,603,100	\$277,376,950

6. Findings Related to Negotiated Sale of the Bonds Pursuant to Charter Sections 371(e)(2) and 371(e)(10)

The CAO finds and recommends that due to the benefits of maintaining flexibility and control of the timing and manner of the sale of the Bonds in volatile market conditions, and upon the advice of its Municipal Advisor, the use of competitive bidding under Charter Section 371 to sell the Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Bonds through a negotiated sale.

7. Required Documents

To proceed with the sale of the Bonds, the Council, subject to the approval of the Mayor, will need to approve and adopt the Authorizing Resolution that, among other things, incorporates and approves the bond documents below, which are all attached to this report (Attachment A). The list below provides a brief description of the bond documents.

- Preliminary Official Statement (POS) (Exhibit B) is the disclosure and marketing document for the Bonds, and describes the proposed bond issuance and security for such bonds and includes the City's Information Statement, Appendix A.
- The Continuing Disclosure Certificate (Exhibit B), a form of which is attached as Appendix E to the POS, by which the City will agree to provide continuing disclosure in the form of annual reports and event notices.
- Indenture (Exhibit C) is an agreement among the City, MICLA, and U.S. Bank Trust Company, National Association, as trustee (Trustee) for the benefit of the bondholders. The Trustee administers the bond proceeds in a fiduciary capacity on behalf of the bondholders. The form of the Bonds is included as an exhibit to the Indenture.
- Site and Equipment Lease (Exhibit D) and Lease Agreement (Exhibit E) are agreements between the City and MICLA indicating that the City will lease certain real property and capital equipment to MICLA pursuant to the Site and Equipment Lease, and subsequently MICLA will sublease back the same real property and capital equipment to the City pursuant to the Lease Agreement in return for scheduled lease payments in sufficient amounts to pay semi-annual debt service payments for the Bonds. The real property subject to these agreements includes:
 1. LAPD Warehouse located at 4671 Worth Street, Los Angeles 90063;
 2. LAPD Emergency Services Division Facility located at 2029 North Main Street, Los Angeles 90031;
 3. North Central District Yard located at 452 San Fernando Road, Los Angeles 90031;
 4. Fire Station No. 10 located at 1335 South Olive Street, Los Angeles 90015;
 5. Fire Station No. 41 located at 1439 North Gardner Street, Los Angeles 90046; and
 6. Fire Station No. 92 located at 10556 West Pico Boulevard, Los Angeles 90064.

The capital equipment subject to these agreements includes trucks, trailers, ambulances, street and sidewalk sweepers, helicopters, electric vehicle charging stations, radio system upgrades, and other equipment, that were financed or refinanced by the CP proposed to be refinanced by the Bonds.

- Assignment Agreement (Exhibit F) is an agreement between MICLA and the Trustee whereby MICLA assigns its rights under the Lease Agreement and the Site and Equipment Lease, including its right to receive lease payments under the Lease Agreement, to the Trustee for the benefit of the bondholders. The City is not a signatory to the Assignment Agreement.

- Contract of Purchase (Exhibit G) is the agreement between and among the City, MICLA, and the Underwriters establishing the terms for a negotiated sale of the Bonds.

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Attachments

Attachment A – Authorizing Resolution

Exhibit A – Omnibus Lease Amendment

Exhibit B – Preliminary Official Statement, including Appendix A and form of Continuing Disclosure Certificate

Exhibit C – Indenture

Exhibit D – Site and Equipment Lease

Exhibit E – Lease Agreement

Exhibit F – Assignment Agreement

Exhibit G – Contract of Purchase

Attachment B – Non-Voter Approved Debt Chart

Attachment A – Authorizing Resolution

RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA, APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$210,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2023-A (CAPITAL EQUIPMENT AND REAL PROPERTY), APPROVING THE FORM AND AUTHORIZING THE DELIVERY OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT, AN INDENTURE, A LEASE AGREEMENT, A SITE AND EQUIPMENT LEASE, AN ASSIGNMENT AGREEMENT, A CONTRACT OF PURCHASE AND A CONTINUING DISCLOSURE CERTIFICATE RELATING TO THE SERIES 2023-A BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF AN OMNIBUS LEASE AMENDMENT, AUTHORIZING CERTAIN OTHER DOCUMENTS AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, the City of Los Angeles, a municipal corporation and charter city organized and existing under the Constitution and laws of the State of California (the “*City*”), may enter into lease and lease-purchase agreements as lessee with any person, firm, corporation or public agency to acquire, construct, improve, finance or refinance any real or personal property or equipment necessary or useful for the municipal purposes of the City; and

WHEREAS, the Municipal Improvement Corporation of Los Angeles (the “*Corporation*”) is authorized pursuant to its articles of incorporation and bylaws to provide financial assistance to the City for any municipal purpose by acquiring, constructing, improving, financing or refinancing, any real or personal property or equipment and leasing such real or personal property or equipment for the use, benefit and enjoyment of the public; and

WHEREAS, the Corporation is authorized under its articles of incorporation and bylaws and under the laws of the State of California to issue its bonds, notes or other evidence of indebtedness; and

WHEREAS, the City desires that the Corporation issue its Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “*Series 2023-A Bonds*”) to refinance a portion of the outstanding commercial paper issued by the Corporation to finance and refinance various capital equipment and the acquisition, construction and improvement of certain real property; and

WHEREAS, in connection with the issuance of the Series 2023-A Bonds, the City will first lease to the Corporation certain capital equipment (the “*Capital Equipment*”) and certain real property and improvements owned by the City (collectively, the “*Real Property*,” and together with the Capital Equipment, the “*Property*”), pursuant to a Site and Equipment Lease (the “*Site and Equipment Lease*”), by and between the City, as lessor, and the Corporation, as lessee; and

WHEREAS, the City will then sublease the Property back from the Corporation pursuant to a Lease Agreement (the **“Lease Agreement”**), by and between the Corporation, as lessor, and the City, as lessee; and

WHEREAS, the Corporation will pledge the Basic Lease Payments received from the City under the Lease Agreement to U.S. Bank Trust Company, National Association, as trustee (the **“Trustee”**) under the Indenture (the **“Indenture”**), by and among the Corporation, the City and the Trustee for the benefit of the owners of the Series 2023-A Bonds; and

WHEREAS, the Corporation will assign certain of its rights under the Lease Agreement and the Site and Equipment Lease to the Trustee for the benefit of the owners of the Series 2023-A Bonds pursuant to an Assignment Agreement (the **“Assignment Agreement”**), by and between the Corporation, as assignor, and the Trustee, as assignee; and

WHEREAS, the City Administrative Officer finds and recommends, pursuant to Charter sections 371(e)(2) and (10), that due to current market conditions and the benefits of maintaining flexibility and control of the timing and manner of the sale of the Series 2023-A Bonds in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding to sell the Series 2023-A Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Series 2023-A Bonds through a negotiated sale; and

WHEREAS, the Series 2023-A Bonds are proposed to be sold through a negotiated sale pursuant to a Contract of Purchase (the **“Contract of Purchase”**) by and among the City, the Corporation and RBC Capital Markets, LLC (the **“Senior Manager”**), on behalf of itself and as representative of Stifel, Nicolaus & Company, Incorporated, Drexel Hamilton, LLC and Stern Brothers & Co., as underwriters (the **“Underwriters”**), for the Series 2023-A Bonds; and

WHEREAS, the City will distribute a preliminary official statement (the **“Preliminary Official Statement”**) and a final official statement (the **“Official Statement”**) each relating to the Series 2023-A Bonds in connection with the offering and sale of the Series 2023-A Bonds; and

WHEREAS, the City will execute and deliver a continuing disclosure certificate (the **“Continuing Disclosure Certificate”**) for the benefit of the Owners (as defined in the Indenture) of the Series 2023-A Bonds and in order to assist the Underwriters in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (**“Rule 15c2-12”**); and

WHEREAS, the City Administrative Officer has determined that the proposed issuance of the Series 2023-A Bonds complies with the Financial Policies for the City of Los Angeles - Debt Management Policy, including the Municipal Improvement Corporation of Los Angeles lease obligation provisions contained therein; and

WHEREAS, the good faith estimates described in Section 5852.1 of the California Government Code has been obtained by the City from the City’s municipal advisor and such estimates have been disclosed to this Council; and

WHEREAS, the Corporation and the City desire to enter into an Omnibus Lease Amendment (the “*Omnibus Lease Amendment*”), by and between the Corporation and the City, for the purpose of clarifying and memorializing prior lease arrangements with respect to certain capital equipment subleased to the City pursuant to prior lease agreements entered into in connection with certain of the Corporation’s currently outstanding bonds; and

WHEREAS, all acts, conditions and things required by the Constitution, laws of the State of California and the Charter of the City to exist, to have happened and to have been performed precedent to the adoption of this Resolution and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner (or, as applicable, will happen and be performed in regular due time, form and manner) as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES, as follows:

Section 1. The recitals set forth above are true and correct, and this Council so finds and determines.

Section 2. The City, on behalf of itself and the Corporation, hereby confirms and agrees that the Series 2023-A Bonds will be issued and delivered in an original aggregate principal amount not to exceed \$210,000,000; provided that: (i) the interest rates on the Series 2023-A Bonds shall not exceed the maximum legal rate; and (ii) the final maturity of the Series 2023-A Bonds shall not exceed 20 years from their date of issuance. The Series 2023-A Bonds will be payable under the terms of the Indenture primarily from amounts paid by the City pursuant to the Lease Agreement.

Section 3. The Preliminary Official Statement relating to the Series 2023-A Bonds, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. The City Administrative Officer, any Assistant City Administrative Officer or any of their designees (each, an “*Authorized Representative*”) are each hereby authorized and directed, for and in the name of and on behalf of the City, to cause the distribution of the Preliminary Official Statement with such updates, changes and additions thereto as an Authorized Representative shall determine is necessary or desirable or otherwise approve, in consultation with the City Attorney or any Deputy or Assistant City Attorney (each, the “*City Attorney*”), in connection with the offering and sale of the Series 2023-A Bonds. Upon determination or approval of such updates, additions and changes by an Authorized Representative, the Preliminary Official Statement shall be deemed final as of its date by an Authorized Representative, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to so certify to the Underwriters that the Preliminary Official Statement has been “deemed final” for purposes of the Rule.

Each Authorized Representative, for and in the name of and on behalf of the City, is hereby authorized to cause the preparation of and execute the Official Statement, in substantially the form of the Preliminary Official Statement, with such updates, changes and additions thereto as an Authorized Representative shall determine is necessary or desirable or otherwise approve, in consultation with the City Attorney, such determination and approval to be conclusively evidenced by execution and delivery thereof.

The use of the Preliminary Official Statement and the Official Statement (including by the Underwriters) in connection with the offering and sale of the Series 2023-A Bonds is hereby authorized and approved.

Section 4. The Contract of Purchase, pursuant to which the Series 2023-A Bonds will be sold to the Underwriters, a form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Contract of Purchase, which shall be substantially in the form presented to this meeting, with such additions and changes therein as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval to be conclusively evidenced by such Authorized Representative's execution and delivery of the Contract of Purchase. The Underwriters' discount under the Contract of Purchase shall not exceed 0.50% of the principal amount of the Series 2023-A Bonds subject to sale under the Contract of Purchase.

Section 5. The Series 2023-A Bonds shall be issued pursuant to the Indenture. The Indenture, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Indenture, which shall be in substantially the form presented to this meeting, with such additions and changes therein, including the addition of a reserve fund if desirable, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by such Authorized Representative's execution and delivery of the Indenture.

Section 6. Each Authorized Representative is hereby authorized and directed to select a bank or trust company to serve as the trustee under the Indenture, on such terms as such Authorized Representative shall approve as being in the best interest of the City. The selection of U.S. Bank Trust Company, National Association to act as the initial trustee under the Indenture is hereby approved.

Section 7. The Site and Equipment Lease, pursuant to which the City will lease the Property to the Corporation, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Site and Equipment Lease, which shall be in substantially the form presented to this meeting, with such additions and changes therein as such Authorized Representative shall determine is

necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by such Authorized Representative's execution and delivery of the Site and Equipment Lease.

Section 8. The Lease Agreement, pursuant to which the Corporation will sublease the Property to the City, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Lease Agreement, which shall be in substantially the form presented to this meeting, with such additions and changes therein as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by such Authorized Representative's execution and delivery of the Lease Agreement.

Section 9. The Assignment Agreement, pursuant to which the Corporation will assign certain of its rights under the Site and Equipment Lease and the Lease Agreement to the Trustee for the benefit of the owners of the Series 2023-A Bonds, a form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to take such steps as are necessary to have the Corporation execute and deliver the Assignment Agreement, with such additions, deletions and changes therein, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by the Corporation's execution and delivery of the Assignment Agreement.

Section 10. The Continuing Disclosure Certificate for the Series 2023-A Bonds in compliance with Rule 15c2-12, the form of which is attached to the Preliminary Official Statement as Appendix E and is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate, which shall be in substantially the form presented to this meeting, with such insertions and changes therein as such Authorized Representative shall determine is necessary or desirable or otherwise approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. Each Authorized Representative is hereby authorized and directed for and on behalf of the City to (i) fix the actual principal amounts of the Series 2023-A Bonds to be issued and Basic Lease Payments schedules to be attached as exhibits to the Lease Agreement, which schedules shall reflect the principal of and interest on the Series 2023-A Bonds, within the limits set forth in this Resolution; and (ii) cause the documents approved by this Resolution and the Series 2023-A Bonds to be executed and delivered within the limits set forth in this Resolution; all upon such terms as shall be satisfactory to such Authorized Representative.

Section 12. The Omnibus Lease Amendment, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Omnibus Lease Amendment, which shall be in substantially the form presented to this meeting, with such insertions and changes therein as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval to be conclusively evidenced by the Authorized Representative's execution and delivery thereof.

Section 13. Each Authorized Representative and officer of the City is hereby authorized and directed for and in the name of and on behalf of the City to execute and deliver any and all documents or certificates, and to take or cause to be taken any and all actions necessary, appropriate or desirable to carry out the transactions contemplated by this Resolution, all upon such terms as shall be satisfactory to such Authorized Representative including, without limitation, prepaying all or a portion of any other prior obligations of the Corporation, entering into additional lease agreements, the recordation of (or preparation and recordation of memoranda concerning) the Site and Equipment Lease, the Lease Agreement and the Assignment Agreement, title instructions and title insurance, good faith deposit agreement, and a tax certificate in connection with the issuance and sale of the Series 2023-A Bonds. All actions heretofore taken or caused to be taken by any Authorized Representative or other officer of the City with respect to the issuance and sale of the Series 2023-A Bonds, or in connection with the transactions contemplated by this Resolution, are hereby approved, confirmed and ratified.

Section 14. Pursuant to Charter sections 371(e)(2) and (10), this Council hereby adopts the findings and recommendations of the City Administrative Officer that, due to current market conditions and the benefits of maintaining flexibility and control of the timing and manner of the sale of the Series 2023-A Bonds in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding to sell the Series 2023-A Bonds would be undesirable and impractical, and that it is in the best financial interest of the City to sell the Series 2023-A Bonds through a negotiated sale. The Council hereby approves the City Administrative Officer's recommendation of the Senior Manager and the Underwriters. The City Administrative Officer or his designee may approve additional underwriters to participate in the underwriting syndicate as the City Administrative Officer or his designee shall approve as being in the best interests of the City, such approval to be conclusively evidenced by the City Administrative Officer's or his designee's execution and delivery of the Contract of Purchase.

Section 15. All of the agreements contemplated by this Resolution may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Facsimile signatures or signatures scanned into a portable document format (.pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures, unless stated otherwise in the agreement.

Section 16. This Resolution shall take effect from and upon its adoption.

Exhibit A – Omnibus Lease Amendment

OMNIBUS LEASE AMENDMENT

dated as of [_____]

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

and the

CITY OF LOS ANGELES

OMNIBUS LEASE AMENDMENT

THIS OMNIBUS LEASE AMENDMENT, dated as of [_____] (this “*Lease Amendment*”), is made and entered into by and between the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “*Corporation*”), and the CITY OF LOS ANGELES, a charter city and municipal corporation duly organized and existing under the Constitution and laws of said State (the “*City*”), with references to the following:

WITNESSETH

WHEREAS, the City and the Corporation have entered into the following leases (the “*Equipment Leases*”) whereby the City has leased from the Corporation various items of equipment (the “*Leased Capital Equipment*”):

- (a) The Equipment Lease Agreement, dated as of June 1, 2016, by and between the Corporation and the City (the “2016 Equipment Lease”), executed in connection with the Corporation’s \$125,235,000 Lease Revenue Refunding Bonds, Series 2016-A (Capital Equipment) issued pursuant to the Indenture, dated as of June 1, 2016 (the “2016 Indenture”), by and among the Corporation, the City and Zions Bank, a division of ZB, National Association, as trustee (the “2016 Trustee”);
- (b) The Equipment Lease Agreement, dated as of February 1, 2018, by and between the Corporation and the City (the “2018 Equipment Lease”), executed in connection with the Corporation’s \$54,430,000 Lease Revenue Bonds, Series 2018-A (Capital Equipment) issued pursuant to the Indenture, dated as of February 1, 2018 (the “2018 Indenture”), by and among the Corporation, the City and U.S. Bank National Association, as trustee (the “2018 Trustee”);
- (c) The Equipment Lease Agreement, dated as of August 1, 2020, by and between the Corporation and the City (the “2020 Equipment Lease”), executed in connection with the Corporation’s \$84,725,000 Lease Revenue Bonds, Series 2020-A (Capital Equipment) issued pursuant to the Indenture, dated as of August 1, 2020 (the “2020 Indenture”), by and among the Corporation, the City and U.S. Bank National Association, as trustee (the “2020 Trustee”);
- (d) The Lease Agreement, dated as of March 1, 2021, by and between the Corporation and the City (the “2021AB Lease Agreement”), executed in connection with the Corporation’s \$177,470,000 Lease Revenue Refunding Bonds, Series 2021-A (Capital Equipment and Real Property) (Federally Taxable) and \$60,481,000 Lease Revenue Refunding Bonds, Series 2021-B (Capital Equipment and Real Property) (Tax-Exempt) issued pursuant to the Indenture, dated as of March 1, 2021 (the “2021AB Indenture”), by and among the Corporation, the City and U.S. Bank National Association, as trustee (the “2021AB Trustee”); and
- (e) The Lease Agreement, dated as of December 1, 2021, by and between the Corporation and the City (the “2021C Lease Agreement”), executed in connection with the Corporation’s \$154,205,000 Lease Revenue Bonds, Series 2021-C

(Capital Equipment and Real Property) issued pursuant to the Indenture, dated as of December 1, 2021 (the “2021C Indenture,” and together with the 2016 Indenture, the 2018 Indenture, the 2020 Indenture and the 2021AB Indenture, the “Indentures”), by and among the Corporation, the City and U.S. Bank National Association, as trustee (the “2021C Trustee”).

WHEREAS, U.S. Bank Trust Company, National Association is the successor 2018 Trustee under the 2018 Indenture, the successor 2020 Trustee under the 2020 Indenture, the successor 2021AB Trustee under the 2021AB Indenture and the successor 2021C Trustee under the 2021C Indenture;

WHEREAS, each Equipment Lease states that the Corporation owns the Leased Capital Equipment leased thereunder to the City, and that the Corporation leases such Leased Capital Equipment to the City for the respective term of such Equipment Lease and, upon payment or prepayment in full of all lease payments for the Lease Capital Equipment thereunder, all right, title and interest of the Corporation in and to such Leased Capital Equipment shall be transferred to and vested in the City;

WHEREAS, each Equipment Lease provides that the Leased Capital Equipment leased thereunder to the City was selected by the City for use by the City;

WHEREAS, the Corporation and the City herein acknowledge that the City is, and has been, since the effective date of each applicable Equipment Lease, the owner of the Leased Capital Equipment;

WHEREAS, the Corporation and the City are entering into the Omnibus Lease Amendment for the purpose of clarifying and memorializing the lease arrangements with respect to the Leased Capital Equipment for each of the Equipment Leases;

WHEREAS, each of the Equipment Leases was entered into and assigned to the respective trustee, as a collateral assignment for the Corporation’s obligations under the respective Indenture, in connection with the related lease revenue bonds described in the foregoing WHEREAS clauses (collectively, the “Lease Revenue Bonds”);

WHEREAS, Section 7.3 of each Equipment Lease provides that the Corporation and the City may amend such Equipment Lease without the consent of the owners of the related series of Lease Revenue Bonds to make any other modification or change to the provisions of such Equipment Lease which does not materially adversely affect the interests of the owners of the related Lease Revenue Bonds; and

WHEREAS, the Corporation and the City have determined that, based upon their review and upon advice of Bond Counsel (as defined in the Equipment Leases), none of the proposed amendments contained in this Lease Amendment adversely impact any of the interests of the owners of the Lease Revenue Bonds, and have received an opinion of Bond Counsel to the same effect;

NOW, THEREFORE, in consideration of the mutual agreements and covenants hereinafter contained and for other good and valuable consideration, the receipt of which are hereby

acknowledged, the parties hereto agree that each of the Equipment Leases is amended and modified as follows:

ARTICLE I

OWNERSHIP OF EQUIPMENT; RESTATEMENT OF EQUIPMENT LEASE ARRANGEMENT; TERMS OF EQUIPMENT LEASE

Section 1.1 Ownership of the Equipment. The Corporation and the City hereby acknowledge and agree that the City is the owner of all of the Leased Capital Equipment, and any provision of the Equipment Leases stating the contrary is hereby amended and modified to reflect the City's ownership of the Leased Capital Equipment.

Section 1.2 Restatement of Lease Arrangement.

(a) ***Lease from City to the Corporation.*** The Corporation and the City hereby acknowledge and agree that, notwithstanding the original terms of the Equipment Leases, the Corporation and the City intend and determine that the City has leased the Leased Capital Equipment to the Corporation for the term of and in consideration of the lease of the Leased Capital Equipment from the Corporation to the City under the respective Equipment Leases, and any provision of the Equipment Leases stating the contrary is hereby amended and modified to reflect that the City has leased the Leased Capital Equipment to the Corporation for such respective terms, and that the Corporation is the owner of a leasehold interest in all of the Leased Capital Equipment. Such lease of the Leased Capital Equipment from the City to the Corporation shall not terminate prior to the termination of the term of the sublease of such Leased Capital Equipment from the Corporation to the City under the respective Equipment Leases in accordance with its provisions.

(b) ***Sublease from Corporation to the City.*** The Corporation and the City hereby acknowledge and agree that, notwithstanding the original terms of the Equipment Leases, the Corporation and the City intend and determine that the Corporation has subleased the Leased Capital Equipment to the City pursuant to and under the terms of the Equipment Leases in the same manner and the same respect as the terms of the Equipment Leases state that the Leased Capital Equipment has been leased from the Corporation to the City, and any provision of the Equipment Leases stating the contrary is hereby amended and modified to reflect that the purported lease of the Leased Capital Equipment from the Corporation to the City is a sublease of the Leased Capital Equipment from the Corporation to the City, and that the City is the owner of a subleasehold interest in all of the Leased Capital Equipment pursuant to the Equipment Leases. The Corporation and the City hereby acknowledge and agree that the sublease of the Leased Capital Equipment pursuant to the respective Equipment Leases was and is on the terms as provided in the respective Equipment Leases and such terms are not amended or modified hereby.

Section 1.3 Terms of the Equipment Leases. Other than as expressly provided in this Lease Amendment, the Corporation and the City hereby expressly acknowledge and agree that all other terms of the Equipment Leases remain in full force and effect, including, without limitation, the obligation of the City to pay to the Corporation, its successors and assigns, as rental for the use and possession of the Leased Capital Equipment, the lease payments in the amounts and at the

times and as further provided in each of the respective Equipment Leases and all covenants and obligations of the City in connection therewith.

ARTICLE II

MISCELLANEOUS

Section 2.1 Binding Effect. This Lease Amendment shall inure to the benefit of and shall be binding upon the Corporation and the City and their respective successors and assignees.

Section 2.2 Severability. In the event any provision of this Lease Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 2.3 Article and Section Headings and References. The headings or titles of the several articles and sections hereof 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 the Lease Amendment as a whole and not to any particular article, section, subdivision or clause hereof.

Section 2.4 Governing Law. This Lease Amendment shall be governed by and construed in accordance with the laws of the State of California.

Section 2.5 Execution in Counterparts. This Lease Amendment may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The parties further agree that facsimile signatures or signatures scanned into a portable document format (pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

Section 2.6 Effective Date. This Lease Amendment shall become effective as of the date hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Corporation has caused this Lease Amendment to be executed in its corporate name by its duly authorized officer; and the City has caused this Lease Amendment to be executed in its name by its duly authorized officer, as of the date first above written.

MUNICIPAL IMPROVEMENT CORPORATION
OF LOS ANGELES

By: _____
Assistant Secretary and Assistant
Treasurer

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPROVED AS TO FORM:

Hydee Feldstein Soto,
City Attorney

By: _____
Deputy City Attorney

**Exhibit B –
Preliminary Official Statement, including
Appendix A and form of Continuing
Disclosure Certificate**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

[DRAFT]

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2023

NEW ISSUES—FULL BOOK-ENTRY-ONLY



Moody's: "____"

Fitch: "____"

See "RATINGS" herein.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Corporation and the City described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax consequences.



§ _____^{*}
**MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2023-A
(CAPITAL EQUIPMENT AND REAL PROPERTY)**

Dated: Date of Delivery

Due: As shown on the inside cover

The Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the "Bonds") will be issued pursuant to the Indenture, dated as of _____ 1, 2023 (the "Indenture"), by and among the Municipal Improvement Corporation of Los Angeles (the "Corporation"), the City of Los Angeles, California (the "City"), and U.S. Bank Trust Company, National Association, as trustee thereunder (the "Trustee").

The Bonds are being issued to (i) retire certain outstanding maturities of commercial paper issued by the Corporation to finance and refinance the acquisition of various capital equipment and the acquisition, construction and improvement of certain real property and (ii) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds will be available in the denomination of \$5,000, or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds will be payable on [May 1 and November 1 of each year, commencing May 1, 2024]. The Trustee will make payments of the principal of and interest on the Bonds directly to DTC, or its nominee. Disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX D—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds are payable from the Revenues pledged thereto under the Indenture. The Revenues for the Bonds primarily consist of the Basic Lease Payments to be made by the City to the Corporation under the Lease Agreement, dated as of _____ 1, 2023 (the "Lease Agreement"), by and between the Corporation and the City. Pursuant to the Lease Agreement, the City will lease the capital equipment and real property therein described from the Corporation. The City is required under the Lease Agreement to make rental payments from any source of available funds in an amount sufficient to pay the principal of and interest on the Bonds, which rental payments are subject to abatement. The Bonds are secured solely by and payable solely from the Basic Lease Payments to be made by the City under the Lease Agreement, and the funds and accounts pledged thereto under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

The Bonds are subject to redemption prior to their stated maturity as described herein. See "THE BONDS—Redemption" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE (OTHER THAN AMOUNTS ON DEPOSIT IN THE REBATE FUND). THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR OF THE STATE OF CALIFORNIA (THE "STATE") AND

^{*} Preliminary, subject to change.

NEITHER THE FAITH AND CREDIT OF THE CITY OR OF THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON SUCH BONDS. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASIC LEASE PAYMENTS OR ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover contains information for general reference only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Issuance of the Bonds is subject to the final approving legal opinion of Nixon Peabody LLP, Bond Counsel. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. Certain additional legal matters will be passed upon for the City and the Corporation by Hydee Feldstein Soto, City Attorney. Certain legal matters will be passed on for the Underwriters by Norton Rose Fulbright US LLP. KNN Public Finance is serving as Municipal Advisor to the City. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in book-entry form on or about December __, 2023.

RBC Capital Markets

Stifel

Drexel Hamilton

Stern Brothers

Dated: November __, 2023

MATURITY SCHEDULE

\$ _____*

**MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2023-A
(CAPITAL EQUIPMENT AND REAL PROPERTY)**

<i>Maturity Date</i> (<i>[May] 1</i>)	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>CUSIP</i> [†] (<i>544587</i>)
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* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The City, the Corporation, the Municipal Advisor and the Underwriters do not assume any responsibility for the accuracy of such numbers.

CITY OF LOS ANGELES, CALIFORNIA

Mayor
Karen Bass

City Council

Eunisses Hernandez, *District 1*
Paul Krekorian, *District 2*
Bob Blumenfield, *District 3*
Nithya Raman, *District 4*
Katy Yaroslavsky, *District 5*

Imelda Padilla, *District 6*
Monica Rodriguez, *District 7*
Marqueece Harris-Dawson, *District 8*
Curren D. Price, Jr.¹, *District 9*
Heather Hutt, *District 10*

Traci Park, *District 11*
John S. Lee, *District 12*
Hugo Soto-Martinez, *District 13*
Kevin de León, *District 14*
Tim McOsker, *District 15*

OFFICIALS OF THE CITY OF LOS ANGELES

Hydee Feldstein Soto, *City Attorney*
Kenneth Mejia, *City Controller*
Matthew W. Szabo, *City Administrative Officer*
Holly L. Wolcott, *City Clerk*
Diana Mangioglu, *City Treasurer*

City Department Issuing Debt
Office of the City Administrative Officer
Debt Management Group

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

BOARD OF DIRECTORS

Faye Washington, *President*
Jody Yoxsimer, *Vice President*
Andrea B. Ambriz, *Treasurer*
Lily Y. Lee, *Secretary*
Paul M. Smith, *Member*

PROFESSIONAL SERVICES

Bond Counsel
Nixon Peabody LLP
Los Angeles, California
Municipal Advisor
KNN Public Finance
Berkeley, California

Disclosure Counsel
Stradling Yocca Carlson & Rauth, a Professional Corporation
Los Angeles, California
Trustee
U.S. Bank Trust Company, National Association
Los Angeles, California

¹ On June 13, 2023, the Los Angeles County District Attorney brought certain criminal charges against Councilmember Price. See APPENDIX A — “OTHER MATTERS—Public Corruption Matters.”

No dealer, broker, salesperson or other person has been authorized by the Corporation or 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 Corporation or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information in APPENDIX D—“DTC AND THE BOOK-ENTRY-ONLY SYSTEM” has been furnished by The Depository Trust Company and no representation has been made by the Corporation or the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein has been obtained from the Corporation and the City and other sources which are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the City since the date thereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Corporation and 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.

Certain statements included or incorporated by reference in the Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither the Corporation nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access website. A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City, the County of Los Angeles and others. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

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OFFICIAL STATEMENT

\$ _____ *

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2023-A (CAPITAL EQUIPMENT AND REAL PROPERTY)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto (the “Official Statement”), is provided for the purpose of setting forth information concerning the issuance by the Municipal Improvement Corporation of Los Angeles (the “Corporation”) of its \$ _____* Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “Bonds”). Capitalized terms not otherwise defined herein have the meanings given in the Indenture, and if not set forth therein, in the Lease Agreement relating to the Bonds, or in APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS.” This introduction is not intended to be a complete statement of the terms and provisions of the Bonds and is qualified by the more detailed information contained elsewhere in this Official Statement.

Authority and Purpose for Issuance

The Bonds are authorized under the Articles of Incorporation of the Corporation and the laws of the State of California (the “State”). The Bonds are being issued pursuant to the Indenture, dated as of _____ 1, 2023 (the “Indenture”), by and among the Corporation, the City of Los Angeles, California (the “City”) and U.S. Bank Trust Company, National Association, as trustee thereunder (the “Trustee”). The Bonds are being issued to (i) retire certain outstanding maturities of commercial paper issued by the Corporation to finance and refinance the acquisition of various capital equipment and the acquisition, construction and improvement of certain real property and (ii) pay the costs of issuance of the Bonds. See “PLAN OF FINANCE.”

Lease Agreement

The City will lease certain real property, including the land, buildings and other improvements thereon, as further described herein (the “Real Property”), and certain items of capital equipment, as further described herein (the “Capital Equipment” and together with the Real Property, the “Property”), to the Corporation pursuant to a Site and Equipment Lease, dated as of _____ 1, 2023 (the “Site and Equipment Lease”), between the City and the Corporation. Pursuant to a Lease Agreement, dated as of _____ 1, 2023 (the “Lease Agreement”), the Corporation, will sublease the Property to the City.

Under the Lease Agreement, the City has agreed to pay to the Corporation, its successors and assigns, as rental for the use and occupancy or possession of the Property, the basic lease payments specified in the Lease Agreement, including any prepayments thereunder (collectively, the “Basic Lease Payments”). Pursuant to the Lease Agreement, the City also agrees to pay “Additional Payments” consisting of (i) all taxes, fees or assessments levied upon the Real Property or upon any interest therein of the Corporation or the Trustee, (ii) all taxes, fees or assessments levied upon it with respect to ownership, leasing, subleasing, rental, sale, purchase, possession or use of the Capital Equipment, (iii) insurance premiums, if any, on insurance required under the Lease Agreement, (iv) all fees and expenses of the Trustee, and expenses of the City required to comply with the Lease Agreement and the Indenture, (v) any other fees, costs, or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Lease Agreement or the Indenture, including any amounts necessary to indemnify and defend the Corporation, and (vi) any amounts required to be paid to the United States government pursuant to section 148 of the Internal Revenue Code of 1986, as amended (the “Code”). The Basic Lease Payments and Additional Payments, collectively, constitute the “Lease Payments.”

* Preliminary; subject to change.

Pursuant to the Lease Agreement, the City may add, substitute or release all or a portion of the Property for other property of annual fair rental value such that the aggregate annual fair rental value of the Property after such addition, substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Addition, Substitution and Release of the Property” herein.

The Lease Agreement provides that if there is a default by the City under the Lease Agreement, the Trustee may terminate the Lease Agreement and re-lease all or any portion of the Property or bring litigation to recover Basic Lease Payments payable at the same time and in the same manner as provided for the payment of Basic Lease Payments described therein. The Lease Payments cannot be accelerated. See APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS” and “RISK FACTORS—Limitations on Default Remedies” herein.

Security and Sources of Payment for the Bonds

Pledge of Revenues and Basic Lease Payments. The Bonds are payable from the Revenues pledged thereto under the Indenture. The Revenues for the Bonds primarily consist of the Basic Lease Payments to be made by the City to the Corporation under the Lease Agreement and the interest or profits from the investment of money in any fund, account or subaccount held for the related Series of Bonds under the Indenture (other than the Rebate Fund).

The Basic Lease Payments in an amount sufficient to pay the principal of and interest on the Bonds secured thereby will be transferred to the Trustee on each lease payment date (the “Lease Payment Date”), being the fifteenth day of [April and October] in each year during the Term of the Lease Agreement, commencing on [April 15, 2024], except that if the Principal Corporate Trust Office of the Trustee is not open for business on any such date, then that Lease Payment Date shall be the next day on which such office is open for business.

The Bonds are not secured by, and no Owners of any Bonds will have any security interest in or mortgage on, the Real Property.

Pursuant to the Assignment Agreement, dated as of _____ 1, 2023 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Owners of the Bonds certain of the Corporation’s right, title and interest in and to the Site and Equipment Lease and the Lease Agreement, including without limitation the Corporation’s right to receive Basic Lease Payments.

Annual Appropriation Covenant; Remedies for Failing to appropriate. Under the Lease Agreement, the City covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Agreement provides that the covenants of the City shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease Agreement. If the City defaults on its covenants in the Lease Agreement, including the covenant to include all Lease Payments payable thereunder in the annual budgets, the Trustee may terminate the Lease Agreement and/or re-lease all or any portion of the Property or bring litigation to recover Basic Lease Payments payable at the same time and in the same manner as provided for the payment of Basic Lease Payments described therein. The Lease Payments cannot be accelerated. See APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS” and “RISK FACTORS—Limitations on Default Remedies” herein.

Further Information

For important information regarding the budget and financial operations of the City, see the section captioned “BUDGET AND FINANCIAL OPERATIONS” in APPENDIX A—“CITY OF LOS ANGELES

INFORMATION STATEMENT.” Certain other demographic, financial and other information with respect to or affecting the City is contained elsewhere in APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT” and in the City’s Annual Comprehensive Financial Report For The Year Ended June 30, 2022 and Independent Auditor’s Report, which are incorporated by reference therein.

Brief descriptions of the Bonds, the Indenture, the Lease Agreement, the Site and Equipment Lease, the Assignment Agreement and other documents and information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to the forms thereof. See APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS” for further information regarding the City’s obligations under the Lease Agreement. See “RISK FACTORS” herein for certain factors that may affect the payment of and security for the Bonds.

THE BONDS

General Terms

The Bonds will be dated the date of their delivery and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the inside cover page of this Official Statement. The Bonds will be delivered in registered form, initially registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). See APPENDIX D—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.” Interest on the Bonds will be payable semiannually on [May 1 and November 1 of each year, commencing May 1, 2024] (each, an “Interest Payment Date”). So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, all payments on the Bonds and any notice with respect to any Bond will be sent directly to DTC, and disbursement of such payments and delivery of such notices to the Beneficial Owners will be the responsibility of the DTC Participants as more fully described herein.

Payment of interest on the Bonds shall be made to the person in whose name such Bonds are registered, as of the record date (being the fifteenth day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day) (the “Record Date”) immediately preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to the Indenture. Principal of the Bonds is payable upon surrender thereof at the corporate trust offices of the Trustee in Los Angeles, California. If the date for making any payment under the Indenture is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in the Indenture.

Redemption*

Optional Redemption of the Bonds. The Bonds maturing on or before [May] 1, 20__ are not subject to optional redemption prior to their stated maturity dates. The Bonds maturing on or after [May] 1, 20__ are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after [May] 1, 20__, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Mandatory Redemption. The Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as hereinafter provided, on any date, in whole or in part, from Net Proceeds as provided in the Indenture and the Lease Agreement, at a redemption price equal to the principal amount thereof together with accrued interest to the date of redemption, without premium. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee. Notwithstanding the foregoing, the Net Proceeds arising from the damage, destruction, taking or other loss of or to the Capital Equipment or the Real

* Preliminary, subject to change.

Property may be invested in a yield restricted account pursuant to the Tax Certificate and applied to the pro rata payment of principal of the Bonds, or such other selection of Bonds approved in an Opinion of Counsel, so long as the Bonds are Outstanding.

If less than all Outstanding Bonds are to be redeemed pursuant to the preceding paragraph, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Capital Equipment or the Real Property destroyed, damaged, stolen or taken, to redeem Bonds as directed in writing by the City. Subject to the foregoing, if less than all Outstanding Bonds maturing by their terms on any one date are to be so redeemed at any one time, Bonds and maturity date to be redeemed shall be selected in accordance with the Indenture. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to this Indenture.

Selection for Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the City thereof to the extent Bonds are no longer held in book-entry form.

Notice of Redemption. Notice of redemption shall be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to (i) the respective Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories (if any); and (iii) the Municipal Securities Rulemaking Board (the "MSRB"). Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities within a Series, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. The notice of redemption for any optional redemption pursuant to the provisions of the Indenture shall contain a statement to the effect that redemption of the Bonds is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the Bonds to be redeemed on or before the redemption date, and such optional redemption shall be so conditioned. The Trustee may provide notices under the Indenture to the Securities Depositories and the MSRB electronically.

If notice of redemption has been duly given as described in the preceding paragraph and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds shall become due and payable, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Failure by the Trustee to give notice pursuant to the redemption provisions of the Indenture to any one or more of the Securities Depositories, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure to receive a notice of redemption or any defect in such notice shall not affect the sufficiency or validity of the proceedings for redemption.

Additional Bonds

The Indenture provides that the Corporation may, at any time, issue Additional Bonds, without the consent of the Owners of any Bonds, payable from the Revenues as provided in the Indenture and secured by a pledge of the Revenues as provided therein equal to the pledge securing the Outstanding Bonds theretofore issued pursuant to the Indenture, but only subject to certain terms and conditions set forth in the Indenture and which are made conditions precedent to the issuance of any such Additional Bonds. The Indenture sets forth the

conditions to, and the procedures for, the issuance of Additional Bonds. See APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS—THE INDENTURE—Issuance of Additional Bonds.” See also “RISK FACTORS—No Limitation on Incurring Additional Obligations” herein.

DTC and the Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in Authorized Denominations under the book-entry system maintained by DTC. Ultimate purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Bonds shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners are the responsibility of DTC’s Participants and Indirect Participants. See APPENDIX D—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

PLAN OF FINANCE

General. The Bonds are being issued to (i) retire certain outstanding maturities of commercial paper issued by the Corporation to finance and refinance the acquisition of various capital equipment and the acquisition, construction and improvement of certain real property, and (ii) pay the costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The funds to be received from the sale of the Bonds[, together with other funds,] and the proposed uses of the Bond proceeds and such other funds are expected to be in the amounts shown below.

	<i>Bonds</i>
Sources of Funds	
Principal Amount of Bonds	\$
Original Issue Premium	
Total Sources	\$
 Uses of Funds	
Repay Commercial Paper	\$
Costs of Issuance ⁽¹⁾	
Underwriters’ Discount	
Total Uses	\$

⁽¹⁾ Includes fees for Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Trustee, the rating agencies, title insurance and other costs associated with the issuance of the Bonds.

DEBT SERVICE SCHEDULE

The Lease Agreement requires the City to make the Basic Lease Payments on each [April 15 and October 15, commencing on April 15, 2024], as rental for the use, occupancy and/or possession of the Property during the Term of the Lease Agreement. The Indenture requires that the Basic Lease Payments received under the Lease Agreement be deposited in the Bond Fund maintained by the Trustee. Pursuant to the Indenture, on [May 1 and November 1] of each year, the Trustee will apply such amounts in the Bond Fund as are necessary to make principal and interest payments on the Bonds as they become due and payable. The table on the

following page sets forth the scheduled principal and interest payments on the Bonds, which correspond to the Basic Lease Payments to be paid in each period by the City under the Lease Agreement.

THE OBLIGATIONS OF THE CITY TO MAKE BASIC LEASE PAYMENTS OR ADDITIONAL PAYMENTS DO NOT CONSTITUTE OBLIGATIONS FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASIC LEASE PAYMENTS OR ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

DEBT SERVICE SCHEDULE

<i>Payment Date</i>	<i>Bonds</i>			
<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>	<i>Total Debt Service (Fiscal Year)</i>	
\$	\$	\$	\$	
Total	\$	\$	\$	\$

Source: KNN Public Finance

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will be secured solely by a pledge of Revenues and amounts on deposit in the funds, accounts and subaccounts for the Bonds established under the Indenture (other than the Rebate Fund). The Revenues primarily consist of the Basic Lease Payments to be made by the City to the Corporation under the Lease Agreement and the interest or profits from the investment of money in any fund, account or subaccount held for the Bonds under the Indenture (other than the Rebate Fund).

Pursuant to the Assignment Agreement, the Corporation will sell, assign and transfer to the Trustee for the benefit of the respective Owners, from time to time, of the Bonds, all of the Corporation's right, title and interest in and to the Site and Equipment Lease and the Lease Agreement, including without limitation the Corporation's right to receive Basic Lease Payments. On or before each Lease Payment Date (on April 15 and October 15) during the Term of the Lease Agreement, the City is required to pay to the Trustee the Basic Lease Payments due on such date from budgeted or appropriated funds. The Trustee, as assignee of the Corporation, will receive the Basic Lease Payments for the benefit of the Owners of the Bonds and credit the Basic Lease Payments to the Bond Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Bond Fund on each Interest Payment Date to pay principal and interest due on such date on the Bonds.

Lease Payments

The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Agreement also provides that, in so providing for the payment of Lease Payments in its annual budgets, the City may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make the respective Lease Payments. The Lease Agreement provides that such covenants on the part of the City are deemed to be and shall be construed to be ministerial duties imposed by law, and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease Agreement. For a description of financial and budgetary information relating to the City's General Fund, see APPENDIX A—"CITY OF LOS ANGELES INFORMATION STATEMENT—BUDGET AND FINANCIAL OPERATIONS."

Under the Lease Agreement, the Lease Payments for the Property for each Rental Period shall constitute the total rental for such Property for such Rental Period, and shall be paid by the City in each Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of, the Property during such Rental Period. "Rental Period" means each twelve month period during the Term of the Lease Agreement commencing on [May] 2 in any year and ending on [May] 1 in the next succeeding year; except that the first Rental Period during the term of the Lease Agreement shall commence on the Closing Date and end on [May 1, 2024]. The City and Corporation have agreed and determined that the total of all Lease Payments for the Property is not greater than the total fair rental value of such Property and the Lease Payments for the Property for each Rental Period do not exceed the fair rental value of such Property for such Rental Period. In making such determination, consideration has been given to the costs of acquisition and financing of the Capital Equipment, the appraised or market value of the Property, the insured value of the Property, the cost of improvements made or to be made to the Property, the current and future value of rent paid by tenants of the Real Property other than the City, other obligations of the City and the Corporation under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

Term of the Lease Agreement

Real Property. The Term of the Lease Agreement will end for the Real Property on [May 1, 2043], unless extended or sooner terminated as provided in the Lease Agreement. If on the stated expiration date for the Real Property, any amount remains due and owing with respect to the Bonds, or if the Basic Lease Payments and Additional Payments have been abated at any time and for any reason, then the term of the Lease Agreement with respect to the Real Property then subject to the Lease Agreement will be extended until 10 days after the Basic Lease Payments and Additional Payments and all other amounts then due under the Lease Agreement with respect to such Real Property have been fully paid, except that the term of the Lease Agreement as to the respective Real Property shall in no event be extended beyond 10 years after the respective dates identified in the Lease Agreement with respect thereto. If prior to the respective termination date, all Basic Lease Payments and all Additional Payments and all other amounts then due under the Lease Agreement, and all amounts due and owing with respect to the Bonds, are fully paid, or provision is made for such payment, the term of the Lease Agreement with respect to such Real Property shall end 10 days thereafter or upon written notice by the City to the Corporation, whichever is earlier; provided that with respect to the Bonds and any provision for payment being made whether by defeasance or otherwise, the Lease Agreement shall remain outstanding for federal tax purposes until the actual payment in full of all principal and interest on the Bonds.

Upon the expiration of the term of the Lease Agreement with respect to a particular Real Property as described in the preceding paragraph, the respective Real Property will be released from the Lease Agreement without compliance with the release requirements described herein under the caption “—Addition, Substitution and Release of the Property;” provided that no Real Property shall be released from the Lease Agreement (i) if, after giving effect to the release of such Real Property, a Default or Event of Default would occur under the Lease Agreement or the Indenture, and (ii) unless the City has delivered a certificate to the Trustee stating that either (a) no event giving rise to an abatement under the Lease Agreement has occurred and is continuing on any of the Real Property then subject to the Lease Agreement or (b) the total of all remaining Lease Payments in each Rental Period for all Property is at least equal to the total fair rental value of all Property in each such Rental Period.

Capital Equipment. The Term of the Lease Agreement will end for the Capital Equipment on [May 1, 2033] unless such term is otherwise terminated or extended as provided in the Lease Agreement. If on [May 1, 2033], the Bonds have not been discharged by their terms, or if the Basic Lease Payments and Additional Payments have been abated at any time and for any reason, then the Term of the Lease Agreement, with respect to the Capital Equipment, will be extended until the Indenture has been discharged by its terms (but not later than [May 1, 2043]). If prior to [May 1, 2033], the Indenture has been discharged by its terms, the Term of this Lease Agreement will thereupon end.

See “THE LEASED PROPERTY” herein.

Abatement of Lease Payments

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of loss, damage, destruction, title defect or otherwise (other than by condemnation or eminent domain, which is provided for separately in the Lease Agreement), there is substantial interference with the use and possession or occupancy by the City of the Property, so that the remaining Lease Payments then due for use of such Property that was not affected are not greater than the fair rental value for use of the unaffected Property. The City and the Corporation shall calculate the rental abatement amount on an annual basis taking into account the entire twelve-month period commencing [May] 2 within which the damage or destruction occurs. If at any time it is necessary to calculate rental abatement, for purposes of calculation for any twelve-month period commencing [May] 2 and ending on the immediately following [May] 1, the total amount of Lease Payments payable within such twelve-month period shall be divided by 365 days (except for leap years, in which case the divisor shall be 366 days). The maximum amount of daily rental abatement for such twelve-month period shall not exceed the result of such calculation. Such abatement shall continue for the period commencing with such interruption of

use and ending with the substantial completion of the work of repair or reconstruction or replacement. In the event of any such interruption of use, the Lease Agreement shall continue in full force and effect and the Lease Payments shall not be subject to abatement under the Lease Agreement to the extent that the proceeds of rental interruption insurance or otherwise in the Bond Fund are available to pay Lease Payments which would otherwise be abated; such proceeds and amounts constitute special funds for the payment of the Lease Payments.

The City has covenanted in the Lease Agreement to maintain insurance against certain risks. Under the Lease Agreement certain risks may be covered by the City through self-insurance through its risk retention program. See “—Maintenance of Insurance Coverages” below. Net Proceeds of such insurance or self-insurance may be applied to redeem the Bonds in the event of loss of use of the Property. See “THE BONDS—Redemption” and APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS” and the provisions described under the captions “THE LEASE AGREEMENT—Damage, Destruction and Eminent Domain; Use of Net Proceeds” and the subcaptions “—Prepayment of Lease Payments” and “—Abatement” thereunder.

Insurance

Fire or Collision and Extended Coverage. The Lease Agreement provides that the City shall procure and maintain, cause to be procured and maintained or include within its self-insurance risk retention program, commencing upon its possession of the Capital Equipment and thereafter throughout the term of the Lease Agreement for the Capital Equipment, insurance against loss or damage to any part of the Capital Equipment by collision, fire, loss and theft, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by such hazards as are normally covered by such insurance. [The City expects to insure the Capital Equipment through its risk retention program. See APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT—BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”]

The Lease Agreement also provides that the City shall procure and maintain, or cause to be procured and maintained, commencing upon its possession of the Real Property and thereafter throughout the Term of the Lease Agreement, insurance against loss or damage to any structures or equipment constituting any part of the Real Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, which coverage may exclude earthquake insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. See APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT—BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Such insurance shall be in an amount equal to the lesser of the Outstanding principal amount of the Bonds and 100% of the replacement cost of the related Property (including all modifications to the Capital Equipment or improvements on the Real Property, as applicable) (it being understood and agreed that in the event of the loss of all or a portion of such Real Property or Capital Equipment and the redemption of all or a portion of the Bonds from the Net Proceeds of such insurance, that the remaining Real Property and Capital Equipment shall have a fair rental value equal to or exceeding the remaining Lease Payments). Such insurance (if commercially obtained with respect to the Capital Equipment) may be subject to deductible clauses of not to exceed \$100,000 for any one loss (with respect to the Capital Equipment) and may be subject to commercially reasonable deductible clauses (with respect to the Real Property). Such insurance may be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City shall include in its annual budget an item to provide funds for commercial insurance covering physical property damage to the Property and, with respect to the Capital Equipment, only if commercial insurance is obtained.

Pursuant to the Lease Agreement, the City covenants that it will use available budgeted or appropriated funds and the proceeds of any purchased insurance to accomplish one of the following purposes, in the event of

the loss or destruction of, or unrepaired damage to, any portion of the Property which would otherwise result in abatement of all or a portion of the Basic Lease Payments payable under the Lease Agreement:

(1) to repair diligently the affected Property, or acquire, or with respect to the Real Property, construct replacement property (in each case at the City's cost) having a useful life not less than the remaining Term of the Real Property so lost, destroyed or damaged to be and become subject to the Lease Agreement at a cost such that the total fair rental value of all Property leased pursuant to the Lease Agreement (including such replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of the Lease Agreement;

(2) to deposit with the Trustee, as assignee of the Corporation, in a special account to be held in trust by the Trustee, an amount (not less than \$50,000) sufficient, under the Lease Agreement, to purchase the portion of the Property so destroyed or irreparably damaged, and to instruct the Trustee at the time of said deposit that said amount is to be used as a special fund for prepayment of Basic Lease Payments pertaining to the Property destroyed or irreparably damaged; or

(3) to apply such funds as provided in the Lease Agreement and the Indenture to redeem Bonds so that the Basic Lease Payments to be made on the remaining Property, under the Lease Agreement will be sufficient to pay principal of and interest on the Bonds that remain Outstanding and will not exceed the fair rental value for each Rental Period over the remaining Term of the Lease Agreement.

To the extent that an event of loss, destruction or unrepaired damage should result in an abatement of Basic Lease Payments pending the acquisition of replacement Property as described above, the City may substitute replacement Property for the Property so lost, destroyed or damaged to be and become subject to the Lease Agreement, such replacement Property having a fair rental value such that the fair rental value of the Property leased pursuant to the Lease Agreement (including such replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of the Lease Agreement. The City may also make such a substitution of Property as an alternative to taking the actions described in paragraphs (1) and (2) above.

In the event of any uninsured loss to the Real Property resulting from earthquake, (a) the City shall apply for and use its best efforts to obtain financial assistance from the United States of America to be used for the repair, reconstruction or replacement of such Real Property, and (b) the City shall repair or replace the Real Property or defease the outstanding Bonds from moneys, if any, legally available therefor.

Rental Interruption Insurance. The Lease Agreement requires that the City procure and maintain, commencing upon its possession of the Property and thereafter throughout the Term of the Lease Agreement, rental interruption, or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property for a period of 24 months during the Term of the Lease Agreement as a result of any of the hazards covered in the real property insurance required by the provisions of the Lease Agreement, in an amount to insure against loss of substantial use and possession of the Property. The provider of such insurance must be rated at least "A" by A.M. Best & Company. The City is not permitted under the Lease Agreement to self-insure through its risk retention program rental interruption insurance. The Trustee will be the beneficiary under such policy and any amounts received thereunder will be credited towards the Lease Payments in the order in which such Lease Payments come due and payable. See "RISK FACTORS—Earthquake and Seismic Conditions" herein.

Public Liability and Property Damage Insurance. The Lease Agreement requires the City to maintain or cause to be maintained, commencing upon its possession of the Property pursuant to the Lease Agreement and thereafter throughout the Term of the Lease Agreement, a program of general liability insurance protecting the Corporation, the City, and their respective officers, directors, agents, assignees and employees. Such program shall provide for indemnification of said parties against loss or liability for damages for bodily and personal injury, death or property damage occasioned by use of the Property. Such insurance is expected to be satisfied through the City's risk retention program.

Title Insurance. The Lease Agreement provides that the City shall obtain, at its own expense, on or before commencement of the Term of the Lease Agreement a California Land Title Association (“CLTA”) title insurance policy or policies in the amount equal to the aggregate principal component of the Basic Lease Payments attributable to the Real Property, insuring the Corporation’s leasehold estate in the Real Property, subject only to Permitted Encumbrances. All Net Proceeds, if any, received under the policy, or policies, shall be deposited with the Trustee and shall be credited towards the prepayment of the remaining Lease Payments as further provided in the Lease Agreement.

Insurance Net Proceeds; Form of Policies; Certificates of Effectiveness. The Lease Agreement provides that each policy of insurance (other than workers’ compensation insurance) and each rental interruption policy of insurance required by the Lease Agreement shall name the Trustee as a loss payee as its interests may appear and shall provide that all proceeds thereunder be payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee on or before September 1 annually a certificate of a City Representative stating that such payments have been made and that the insurance policies required by the Lease Agreement are in force and effect. For further description of these matters, see APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS—THE LEASE AGREEMENT—Maintenance; Taxes; Insurance; and Other Matters.”

Addition, Substitution and Release of the Property

The City shall, at any time, have the right under the Lease Agreement to add, substitute or release all or a portion of the Property then currently constituting the Property (in such case the substitute Property shall mean the former Property, less any portion released pursuant to the Lease Agreement) for other property of an annual fair rental value such that the aggregate annual fair rental value of the Property after such substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period, of a comparable essential nature to the City, but only by providing the Trustee with (a) a written certificate describing both the new Property, and the Property for which it is to be substituted, and stating that such portion of the Property is of an annual fair rental value such that the aggregate annual fair rental value of all of the Property after giving effect to such substitution or release equals or exceeds the Basic Lease Payments due in each remaining Rental Period, and is of a comparable essential nature to the City, and (b) an executed amendment to the Lease Agreement, and if the amendment itself is not to be recorded in the county registry, an executed and acknowledged memorandum of lease for the new Property, if such new Property is Real Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Term of the Lease Agreement” and “THE LEASED PROPERTY—Real Property” for a description of when and under what circumstances particular Real Property will be released from the Lease Agreement without compliance with the requirements described above.

In the event of such substitution, the Property substituted for the original Property shall become fully subject to the terms of the Lease Agreement, and the City shall obtain, in the case of new Property that is Real Property, a policy of CLTA title insurance insuring the Corporation’s leasehold estate in the new real property so that the combined policies of CLTA title insurance on all of the leasehold estate(s) in the Real Property subject to the Lease Agreement will be not less than the aggregate principal amount of Outstanding Bonds. Notwithstanding any substitution or release of the Property pursuant to the Lease Agreement, there shall be no reduction in the Basic Lease Payments due from the City thereunder and no such substitution or release of Property shall occur if the Property being leased under the Lease Agreement after giving effect to such substitution or release would have a fair rental value in any Rental Period of less than the Lease Payments in each such Rental Period.

An addition, substitution or release of the Property under the Lease Agreement, if material, is an event for which notice will be provided to EMMA pursuant to the Continuing Disclosure Certificate for the Bonds.

Repair and Maintenance; Taxes and Assessments

All improvement, repair and maintenance of the Property during the respective Term of the Lease Agreement shall be the responsibility of the City. The City shall, at its own expense, during the Term of the Lease Agreement maintain the Property, or cause the same to be maintained, in good order, condition and repair, and shall replace any portion of the Property which is lost, stolen or destroyed, as applicable; provided, that the City shall not be required to repair or replace any such portion of such Property if there shall be applied to the prepayment of Basic Lease Payments Net Proceeds or other available budgeted or appropriated funds sufficient to prepay (i) all of the Bonds Outstanding or (ii) any portion thereof relating to the Property, or such portion thereof, and the Basic Lease Payments allocable to the remaining portion of the applicable Property shall be sufficient to pay principal of and interest on the Bonds Outstanding after such prepayment. Pursuant to the Lease Agreement, the City shall provide or cause to be provided all security service, custodial service, janitorial service, mechanical service and other services necessary for the proper upkeep and maintenance of the Property, as applicable.

Pursuant to the Lease Agreement, the City shall also pay or cause to be paid all taxes, charges, fees and assessments of any type or nature, if any, charged to the Corporation or the City affecting the Property or their respective interests therein; provided that with respect to special assessments, fees or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due. Subject to certain exceptions, the City may, at the City’s expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom.

THE LEASED PROPERTY

The City will sublease the Property described below from the Corporation pursuant to the Lease Agreement. The Bonds are not secured by, and the Owners of the Bonds have no security interest in or mortgage on, the Property.

Capital Equipment. The Capital Equipment to be subleased to the City pursuant to the Lease Agreement consists of the equipment for various City departments, as set forth below:

<i>Department</i>	<i>Equipment Description</i>
Department of General Services	Trucks, Dump Trucks, Forklift, Trailers, Street Sweeper, Electric Vehicle Charging Stations, Fuel Terminal
Fire Department	Ambulances, Vehicles, Communication Equipment, Radio System Upgrades, Computer Network Security
Police Department	Helicopters, Vehicles, Electric Vehicle Charging Stations
Department of Transportation	Radar Speed Feedback Signs
Department of Public Works	Wheel Loaders, Utility Terrain Vehicle. Sidewalk Sweepers, Vehicles, Electric Vehicle Charging Stations

Real Property. The Real Property to be leased to the City pursuant to the Lease Agreement consists of the following:

- Fire Station No. 10 located at 1335 S. Olive Street in the City (“Fire Station 10”) – Fire Station 10 is a 12,000 square-foot facility situated on 15,000 square-foot of land. Fire Station 10 is part of the Central

Bureau, which encompasses Downtown Los Angeles and the surrounding communities. [The City estimated the value of Fire Station 10 to be \$11.50 million as of July 2023.]

- Fire Station No. 41 located at 1439 N. Gardner Street in the City (“Fire Station 41”) – Fire Station 41 is a 7,217 square-foot facility situated on 16,080 square-feet of land. Fire Station 41 is part of the West Bureau, which encompasses the western portion of The City. [The City estimated the value of Fire Station 41 to be \$9.21 million as of July 2023.]
- Fire Station No. 92 located at 10556 W. Pico Boulevard in the City (“Fire Station 92”) – Fire Station 92 is a 6,700 square-foot facility situated on 11,000 square-feet of land. Fire Station 92 is part of the South Bureau, which encompasses the southern portion of The City. [The City estimated the value of Fire Station 92 to be \$4.84 million as of August 2023.]
- North Central District Yard located at 452 San Fernando Road in the City (the “North Central District Yard”) – The North Central District Yard includes a 43,991 square foot administration building situated on 431,223 square feet of land. The North Central District Yard houses refuse trucks and equipment. [The City estimated the value of the North Central District Yard to be \$59.77 million as of July 2023.]
- Los Angeles Police Department (“LAPD”) Emergency Services Division Facility located at 2029 N. Main Street in the City (the “LAPD Emergency Services Facility”) – The LAPD Emergency Services Facility includes a 23,831 square foot administration building situated on 56,660 square feet of land. The LAPD Emergency Services Facility is utilized by LAPD’s Emergency Services Division. [The City estimated the value of the LAPD Emergency Services Facility to be \$8.52 million as of August 2023.]
- [Los Angeles Police Department Warehouse located at 4671 Worth Street in the City (the “LAPD Warehouse”) – The LAPD Warehouse includes an 80,000 square foot building situated on 128,118 square feet of land. The LAPD Warehouse includes a warehouse as well as office space for LAPD employees. [The City calculated the total acquisition and construction cost of the LAPD Warehouse, which was completed on or about September 1, 2022, to be approximately \$28.75 million.]

[All valuations with respect to the Real Property are estimates prepared by the City for informational purposes. The estimated values are based on assumptions, including that the subject properties are free and clear of any hazardous material or seismic issues, other than those hazardous materials and uses allowed by permit. The total usable value of any Real Property may also be affected by various property conditions and is subject to change. As discussed herein, the Bonds are not secured by, and the Owners of the Bonds have no security interest in or mortgage on, any of the Property.]

The City may add to, substitute for or release all or a portion of the Capital Equipment and Real Property constituting the Property, respectively, subject to satisfaction of various conditions set forth in the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Addition, Substitution and Release of the Property” herein. For additional information regarding insurance, maintenance, replacement and substitution of the Property and similar matters, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein and APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS—THE LEASE AGREEMENT—Maintenance; Taxes; Insurance; and Other Matters.”

THE CITY

The City was founded in 1781. The original Charter of the City was adopted in 1850, and most recently amended in 1999, with an effective date of July 1, 2000. The governing body of the City consists of a Mayor and City Council, comprised of fifteen members. The City, comprised of 470 square miles, is the second most populous city in the United States with an estimated 2023 population of 3.8 million persons. See APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT.”

THE CORPORATION

The Municipal Improvement Corporation of Los Angeles is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) for the purpose of providing financial assistance to the City by financing, acquiring, constructing, improving, leasing and developing certain equipment and property for the benefit of the public. The Corporation was formed at the request of the City in 1984. The Corporation is governed by a five-member Board of Directors (the “MICLA Board”). MICLA Board members were initially appointed by the Mayor in 1984. Appointments to fill subsequent vacancies are made by the MICLA Board, subject to City Council approval. The MICLA Board members do not receive compensation. The City indemnifies MICLA Board members for any liabilities occurring in connection with the performance of their duties.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the risks inherent in the purchase of the Bonds.

Limited Obligations

The City has covenanted in the Lease Agreement to take such actions as may be necessary to include the Basic Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations therefor. However, the Bonds are limited obligations of the Corporation and are payable solely from the Revenues and amounts on deposit in the funds and accounts established under the Indenture with respect to each Series (other than amounts on deposit in the Rebate Fund). The Bonds do not constitute a debt or liability of the City or of the State and neither the faith and credit of the City or of the State are pledged to the payment of the principal of or interest on such Bonds. Neither the Bonds nor the obligation of the City to make Basic Lease Payments or Additional Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Abatement

During any period in which by reason of loss (with respect to the Capital Equipment), damage, destruction, title defect (with respect to the Real Property) or otherwise (other than by condemnation or eminent domain as provided in the Lease Agreement) there is substantial interference with the use and possession (or occupancy with respect to the Real Property) of the Property, the Lease Payments will be abated.

Notwithstanding (i) the provisions of the Lease Agreement specifying the extent of such abatement; and (ii) the City’s covenants to maintain certain rental interruption insurance and to insure against certain other risk of loss, the resulting Lease Payments (and such other funds) may not be sufficient to pay all of the remaining principal and interest due with respect to the Bonds. The City has no rental interruption insurance for damage caused by earthquake. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Abatement of Lease Payments” and APPENDIX B—“SUMMARY OF LEGAL DOCUMENTS—THE LEASE AGREEMENT—Damage, Destruction and Eminent Domain; Use of Net Proceeds—Abatement of Rent.”

Economic Condition in Local, State and National Economies

The financial condition of the City can be significantly affected by generally prevailing conditions in the local, State and national economies. Such conditions and factors may impact the amounts available to the City to pay Basic Lease Payments due under the Lease Agreement. A number of the City’s sources of revenues are collected and subvended by the State (such as sales taxes and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Approximately 40% of the City’s General Fund revenues are collected by the State or allocated by State law.

There can be no assurances that a future recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the City in the future. See APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT.”

No Limitation on Incurring Additional Obligations

Neither the Lease Agreement nor the Indenture contains any legal limitations on the ability of the City to enter into other obligations that may constitute additional charges against its General Fund revenues. To the extent that the City incurs additional obligations, the funds available to make Basic Lease Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into other such obligations. See APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT—BONDED AND OTHER INDEBTEDNESS.”

Seismic Events and Other Natural Disasters; Force Majeure

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins. This interaction appears to pose a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault.

It is probable that a major earthquake will occur during the term of the Bonds. A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur.

Seismic activity may also affect the use and occupancy of the Property. See “RISK FACTORS—Abatement” above. The City generally does not maintain earthquake insurance coverage against loss or damage to City property. Instead, the City relies on its general reserves as well as the expectation that some disaster relief funds, which could be minimal amounts in comparison to the losses, will be available from the Federal Emergency Management Agency (“FEMA”) to address any resulting damage from seismic activity. The City has received a waiver from the requirement under federal law that it acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no assurance that, in the event of an earthquake, sufficient City reserves or FEMA assistance would be available for the repair or replacement of any Real Property. The Lease Agreement does not require the City to maintain insurance coverage insuring against loss or damage due to earthquakes and the City does not intend to purchase such insurance coverage during the Term of the Lease Agreement. See APPENDIX A—“CITY OF LOS ANGELES INFORMATION STATEMENT—OTHER MATTERS—Seismic Considerations.” The Lease Agreement provides that, in the event of any uninsured loss to the Real Property resulting from earthquake (a) the City shall apply for and use its best efforts to obtain financial assistance from the United States of America to be used for the repair, reconstruction or replacement of such Real Property, and (b) the City shall repair or replace the Real Property or defease the outstanding Bonds from moneys, if any, legally available therefor. Commercial rental interruption or use and occupancy insurance can only be obtained with respect to hazards insured against under a commercial property insurance policy. The City does not have commercial property insurance coverage for damage caused by earthquake. Thus in the event of damage to the Real Property caused by earthquake resulting in an abatement of Basic Lease Payments under the Lease Agreement, no rental interruption or use and occupancy insurance proceeds will be available.

Operation of the Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other

events. If a natural disaster were to damage or destroy a substantial portion of the Property, there could be an abatement of Basic Lease Payments under the Lease Agreement. If a natural disaster were to damage or destroy a substantial portion of taxable property within the City, the assessed valuation of the real property could be reduced, which could result in a reduction of property tax revenues and other revenues in the City's General Fund that are used to pay Basic Lease Payments under the Lease Agreement. In addition, substantial financial and operational resources of the City could be required during the event and subsequently to repair damage to City infrastructure, which could also reduce amounts available in the City's General Fund. The City cannot predict what force majeure events may occur in the future.

Climate Change

There are potential risks to the City associated with changes to the climate over time. See APPENDIX A—"CITY OF LOS ANGELES INFORMATION STATEMENT—OTHER MATTERS—Environmental and Social Considerations." The City cannot predict the timing, extent, or severity of climate change and its impact on the City's operations and finances but over time the costs could be significant and could have a material adverse effect on the City's finances by requiring greater expenditures to respond to the effects of climate change. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City's operations and finances.

Insurance

The Property is subject to a variety of risks of loss. The City directly assumes certain insurable risks without procuring commercial insurance policies. The City administers, adjusts, settles, defends and pays claims from budgeted resources. It is self-insured for workers' compensation as permitted under State law. Funds are budgeted annually to provide for claims and other liabilities based both on the City's historical record of payments and an evaluation of known or anticipated claims. See APPENDIX A—"CITY OF LOS ANGELES INFORMATION STATEMENT—BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program" and APPENDIX B—"SUMMARY OF LEGAL DOCUMENTS—THE LEASE AGREEMENT—Maintenance; Taxes; Insurance and Other Matters." The Lease Agreement permits the liability insurance requirements therein to be satisfied by a risk retention program and permits the property insurance covering the Equipment and Real Property (other than rental interruption insurance) to be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs, all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. [The City currently intends to satisfy its insurance obligations under the Lease Agreement by including the liability insurance requirements and Capital Equipment in its risk retention program and its other insurance obligations under the Lease Agreement with commercial insurance. In addition, the City intends to include the helicopters (currently part of the Capital Equipment) in the City's aircraft hull and liability insurance, which covers bodily injury and property damage liability for a covered aircraft up to a policy limit of \$150 million and insures against damage to the hull based on each aircraft's individual insured value, depending on the make, model, year and any after-market equipment that has been outfitted on the aircraft. There are no deductibles applicable to coverage under the aircraft liability insurance, however there are deductibles that vary by type of aircraft for aircraft hull (property) insurance.] Further, the Lease Agreement does not require the City to insure or self-insure against every potential risk of loss, and there is a risk that damage or destruction of the Property could occur for which no insurance or City funds will be available. Such insurance does not cover, for example, acts of terrorism or certain other casualties, such as earthquakes. If the Property were to be damaged or destroyed by an earthquake or other casualty not required to be covered by insurance under the terms of the Lease Agreement, and for which the Property is in fact uninsured, an abatement of Basic Lease Payments could occur and could continue indefinitely under the Lease Agreement.

There can be no assurance that the insurance providers will pay claims under the respective policies promptly or at all, should a claim be made by the City in connection with loss or damage to any Property under such policies. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial,

and force the City to sue to collect on or settle the insurance claim. Further, there can be no assurances that amounts received as proceeds from insurance will be sufficient to redeem the Bonds or to pay principal of and interest on the Bonds as and when due. The City believes that the insurance arrangements provided in the Lease Agreement will be adequate to reasonably protect the City from the various liabilities that arise from use of the Property and to provide for the payment of Basic Lease Payments in the event that the City loses beneficial use of the Property due to risks for which fire and extended coverage insurance has been obtained. However, no assurance can be given that such insurance arrangements will cover all events causing damage or will be adequate to cover the payment of Basic Lease Payments in all circumstances.

Constitutional and Statutory Limitations on Increase of Revenues

Article XIII A (limitation on *ad valorem* tax), Article XIII B (government spending limitation), Article XIII C (voter approval for local tax levies) and Article XIII D (assessment and property related fee reform) of the Constitution of the State of California were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund. See APPENDIX A—"CITY OF LOS ANGELES INFORMATION STATEMENT—LIMITATIONS ON TAXES AND APPROPRIATIONS."

Limitations on Default Remedies

In the event of nonpayment by the City of the Lease Payments, or other default by the City under the Lease Agreement, the enforcement of any remedies provided in the Indenture and in the Lease Agreement by or on behalf of Owners of the Bonds could prove expensive and time consuming, or be legally impeded. For example, the Indenture and the Lease Agreement provides that if there is a default by the City under the Lease Agreement, the Trustee may terminate the Lease Agreement and re-let the Property, but such Property may not be easily re-leased and any re-letting of the Property could result in lease payments that would be substantially less than the Lease Payments payable by the City under the Lease Agreement. In addition, due to the essential nature of the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to any or all of the Property. The Trustee may exercise any and all remedies available pursuant to law or the Lease Agreement, but the Lease Agreement provides that there shall be no right under any circumstances to accelerate the Lease Payments.

Cybersecurity

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial. See APPENDIX A—"CITY OF LOS ANGELES INFORMATION STATEMENT—OTHER MATTERS—Cybersecurity."

Bankruptcy

A bankruptcy petition may be filed by the City or the Corporation. In particular, the City may file a petition under Chapter 9 ("Chapter 9") of Title 11 of the United States Code (the "Bankruptcy Code"), provided that it complies with requirements of Section 53760 *et seq.* of the Government Code of the State. Under the Government Code, a local public entity, including the City, is prohibited from filing under the Bankruptcy Code unless it has participated in a specified neutral evaluation process with interested parties, as defined, or it has

declared a fiscal emergency and has adopted a resolution by a majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the local public entity's jurisdiction or service area absent bankruptcy protections.

If the City were to become a municipal debtor under Chapter 9 of the Bankruptcy Code, the City would be entitled to all of the protections afforded a municipal debtor under the Bankruptcy Code, and an owner of a Bond would be treated as a creditor. Possible adverse effects of a municipal bankruptcy include, but are not limited to: (a) the application of the automatic stay provisions of the Bankruptcy Code which, absent court approval, generally prohibit the commencement of any judicial or other action in non-bankruptcy court to recover a pre-petition claim against the City, any act to collect on a pre-petition claim, or any act to obtain possession of the municipal debtor's property; (b) the avoidance of preferential transfers occurring during the relevant period prior to the commencement of the bankruptcy case; (c) the existence of secured and/or unsecured creditors with allowed claims that may have priority over any claims of Owners of Bonds; and (d) the possibility of the bankruptcy court's confirmation of a plan of adjustment of the City's debts, which may restructure, delay, compromise or reduce the amount of the claim of the Owners of the Bonds. As a result of the commencement of a bankruptcy case by either the City or the Corporation, Owners of the Bonds could experience partial or total loss of their investment in the Bonds.

In addition, under the Bankruptcy Code, certain provisions of the Lease Agreement that are based on the bankruptcy, insolvency or financial condition of the City may be rendered unenforceable. Under the Indenture, the Trustee has a security interest in the Revenues, including Basic Lease Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Basic Lease Payments are actually received by the Trustee following payment by the City. The Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners of the Bonds. In the event a bankruptcy court determines that the Lease Agreement is an unexpired lease for purposes of the Bankruptcy Code, certain provisions of the Bankruptcy Code could impact the rights and remedies of the parties, and would allow the City to reject the Lease Agreement, which would give rise to the Trustee's unsecured claim for unpaid rent, affect the enforceability of certain provisions of the Lease Agreement, and have an adverse effect on the liquidity and market value of the Bonds.

The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Bonds by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or amendments to the City's Charter or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State or the State Constitution, or the City's municipal code, respectively, in a manner that could result in a reduction of the City's General Fund revenues.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONTINUING DISCLOSURE

Pursuant to the Indenture and a Continuing Disclosure Certificate for the Bonds, the City has covenanted for the benefit of Bond Owners to provide certain financial information and operating data relating to the City by not later than June 30th of each year, commencing on June 30, 2024, for fiscal year 2022-23, in the form of an annual report (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) site at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the City’s continuing disclosure obligations are summarized in APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).

The City and its related entities issue a variety of bonds, notes and obligations (“Obligations”), including Obligations issued through its proprietary enterprise programs and for its housing program and other conduit borrowers, as well as Obligations secured by special taxes and special assessments. The representations made by the City in this section regarding its previous continuing disclosure undertakings relate only to those Obligations which are managed by the City Administrative Officer and its staff, including Obligations secured by the City’s general fund (including the bonds and notes issued through the Corporation), General Obligation Bonds, Wastewater System Revenue Bonds, Tax and Revenue Anticipation Notes, and Solid Waste Revenue Bonds. The City’s Department of Airports, Department of Water and Power and Harbor Department (each of which is governed by a Board of Commissioners that is separate from the City Council) enter into separate continuing disclosure undertakings in connection with the bonds and notes that are secured and payable from their respective enterprise revenues.

The City failed to provide notice within 10 business days of the incurrence of the financial obligations set forth in the Purchase and Assignment Agreement with the Corporation and Banc of America Public Capital Corporation and the Sublease Agreement executed in connection therewith in accordance with certain of the City’s continuing disclosure undertakings. On October 24, 2019, the City filed notice of the incurrence of these agreements with the MSRB on the EMMA website.

The City omitted from the annual report filed for Fiscal Year 2017-18 for its Wastewater System Subordinate Revenue Bonds, Series 2018-A (Green Bonds) and the Wastewater System Subordinate Revenue Bonds, Refunding Series 2018-B an update to the information in the Official Statement for such bonds under the caption “LITIGATION.” This information was included in an update to the annual report for Fiscal Year 2018-19 that was filed on April 28, 2020 with the MSRB on the EMMA website.

The City failed to provide in a timely manner notice of redemption and failed to file a notice of defeasance for the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-D (Recovery Zone Economic Development Bonds) in accordance with the City’s continuing disclosure undertakings relating to these bonds. These bonds were paid in full on September 1, 2019 and are no longer outstanding.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax Certificate, entered into by the

Corporation and the City (the “Tax Certificate”), the Corporation and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the City have made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and the City described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. For taxable years beginning after December 31, 2022, interest on the Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State, under present State law. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium

for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix C. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

CERTAIN LEGAL MATTERS

Nixon Peabody LLP, Los Angeles, California, Bond Counsel to the City and Corporation, will render its approving opinion on the date of the issuance of the Bonds in substantially the form set forth in APPENDIX C—“PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL” attached hereto. Bond Counsel expresses no opinion regarding the accuracy, completeness or fairness of this Official Statement

or other offering materials relating to the Bonds. Certain legal matters will be passed on for the City and the Corporation by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, and by Hydee Feldstein Soto, City Attorney. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Further, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

There is no action, suit or proceeding pending (with service of process having been given) against the City or the Corporation or, to the knowledge of their respective executive officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City or the Corporation taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the use of the Bond proceeds.

The City is routinely subject to various actions, suits or proceedings. A description of certain pending matters and cases relating to the City is included in Appendix A.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned the ratings of "____" and "____", respectively, to the Bonds. The ratings provided by each of the rating agencies reflect only the views of such organizations and an explanation of the significance of such ratings may only be obtained from the respective agencies at the following website addresses: Moody's, at www.moody.com, and Fitch, at www.fitchratings.com. No information from such websites is incorporated by reference herein. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revisions or withdrawals of such ratings may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to maintain any rating on the Bonds or to take any action, except as may be required by the Continuing Disclosure Certificate, in the event of a lowered rating, suspension or withdrawal.

FINANCIAL STATEMENTS

The City's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022 (the "Financial Statements"), including the Independent Auditor's Report, are available on the EMMA website at <https://emma.msrb.org/P21663181-P21279973-P21708465.pdf>. The Financial Statements are incorporated herein by reference thereto. No other information from such website is incorporated by reference into this Official Statement. The Financial Statements have been audited by Macias Gini & O'Connell LLP, certified public accountants. Macias Gini & O'Connell LLP has not consented to the inclusion by reference of its report in this Official Statement and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to the date of the Independent Auditor's Report.

UNDERWRITING

The Bonds are being purchased by the Underwriters named on the cover page of this Official Statement (collectively, the “Underwriters”) at a purchase price of \$_____ (being the principal amount of the Bonds of \$_____, plus an original issue premium of \$_____, less an Underwriters’ discount of \$_____). The bond purchase agreement for the Bonds provides that the Underwriters shall purchase all of the Bonds offered hereby if any are purchased, and that the obligation to make such purchase is subject to the approval of certain legal matters by Bond Counsel and certain other conditions.

The initial offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

The City intends to use a portion of the proceeds from this offering to pay, prepay or refund certain obligations. To the extent an Underwriter or an affiliate thereof is an owner of such obligations, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such obligations being redeemed by the City.

MUNICIPAL ADVISOR

KNN Public Finance (the “Municipal Advisor”), has acted as independent registered municipal advisor to the City in conjunction with the issuance of the Bonds. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

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

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF LOS ANGELES, CALIFORNIA

By: _____
Assistant City Administrative Officer

APPENDIX A
CITY OF LOS ANGELES INFORMATION STATEMENT

[DRAFT]

APPENDIX A

CITY OF LOS ANGELES INFORMATION STATEMENT

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PART 1: FINANCIAL INFORMATION

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements.” Such forward-looking statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet City forecasts in any way, regardless of the level of optimism communicated in the information. The City has no plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, do not occur, or change.

In addition, this Appendix A contains historic financial, economic and demographic information regarding the City. Such information is limited to the time periods indicated and reflect data, assumptions and other information available as of the indicated dates. It is not possible to predict whether the trends shown continued beyond the historical data set forth herein (certain of which may be subject to subsequent adjustment) will continue.

Numbers in tables in this Appendix A may not sum to the total due to rounding.

OVERVIEW OF THE CITY’S FINANCIAL CONDITION

Financial Results and Budget

The City began Fiscal Year 2022-23 with General Fund Reserves (defined below) totaling \$818 million, or 11.0 percent of budgeted revenues. The Reserve Fund component of these reserves was \$601.7 million, or 8.1 percent of budgeted revenues. The City anticipates ending Fiscal Year 2022-23 with General Fund revenues exceeding budget by \$118.3 million.

The City’s Fiscal Year 2023-24 Adopted Budget is balanced, with total General Fund revenues and appropriations of \$7.90 billion, including a transfer from the Reserve Fund of \$136.4 million. This transfer was made possible by the City’s deposit to the Reserve Fund of \$102 million in excess Fiscal Year 2022-23 revenues and approximately \$79.3 million received from the Federal Emergency Management Agency in Fiscal Year 2022-23 and by expenditure savings and therefore anticipated year-end reversions exceeding historical levels. Therefore, even after the transfer from the Reserve Fund, the City estimates that the Reserve Fund will begin Fiscal Year 2023-24 at approximately \$568 million, or 7.2 percent of budgeted revenues. The City expects to begin Fiscal Year 2023-24 with General Fund Reserves totaling \$794 million, or 10.1 percent of budgeted General Fund revenues. Revenue assumptions for Fiscal Year 2023-24 were based on trends in receipts, analyses conducted by departments and relevant industry forecasts as of May 2023, and assume there will not be a new outbreak of a COVID-19 variant that prompts the reissuing of stay at home orders and also assume that an economic recession will not occur. Future economic uncertainty presents particular challenges in connection with the revenue forecast for Fiscal Year 2023-24, as well as future fiscal years included in the Four-Year Budget Outlook.

The Four-Year Budget Outlook (the “Outlook”), prepared annually in connection with the budget and last updated in connection with the Fiscal Year 2023-24 Adopted Budget, projects an operating deficit of \$68 million in Fiscal Year 2024-25 and operating surpluses in the next three fiscal years (\$234 million in Fiscal Year 2025-26, increasing to \$544 million in Fiscal Year 2027-28). The surpluses are based on the expectation that revenues will continue to grow at historic averages; the Outlook does not take inflation into account beyond Fiscal Year 2023-24. On the spending side, a major driver is the expectation that the City’s contributions to its retirement systems will decline in the future. Further, the Outlook projections do not assume any negotiated employee compensation increases after the expiration in 2023 and 2024 of current labor agreements, including

the agreement with LAPPL described under the caption “BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies”. The Outlook also excludes certain potential large capital projects. In addition, the Outlook projections do not take into account any potential impacts of an economic recession. “See “BUDGET AND FINANCIAL OPERATIONS—General Fund Budget Outlook.”

Certain Significant Challenges

Homelessness. The City faces challenges in connection with its large homeless population. Voters approved Measure H in 2017, increasing County-wide sales taxes by $\frac{1}{4}$ percent to fund services to the homeless population. Voters also approved Proposition HHH in 2016, authorizing \$1.2 billion in City general obligation bonds to finance low income and supportive housing, of which \$86,370,000 was issued in 2017, \$276,240,000 was issued in 2018, \$211,940,000 was issued in 2021, and \$389,435,000 was issued in 2022, leaving remaining authorization of \$236,015,000. However, the Measure H and Proposition HHH funding is still inadequate to meet the needs of this population.

The Fiscal Year 2023-24 Adopted Budget anticipates approximately \$1.3 billion in spending to combat homelessness. This includes \$473.8 million in General Fund spending. It also includes \$803.9 million in spending from various special funds, including federal and State grants, the City’s Proposition HHH general obligation bonds, and ULA (defined below) special tax proceeds.

The City was subject to a lawsuit (*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*) for violating various State and federal laws in connection with the City’s and County’s alleged failures in responding to homelessness. On June 14, 2022, a proposed settlement between the City and the plaintiffs was approved by the court. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal of the District Court's Order approving the stipulated dismissal and proposed settlement between the City and Plaintiffs. The Parties are briefing the matter and oral arguments, if scheduled, will proceed on a date not yet determined after the briefing is fully submitted. See “LITIGATION—*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*”

Measure ULA Special Tax. On November 8, 2022, the City’s voters approved “Measure ULA—Funding for Affordable Housing and Tenant Assistance Programs Through A Special Tax on Real Property Transfers Over \$5 Million” (“ULA”), a voter initiative to fund affordable housing projects and programs. ULA, which passed with approximately 58 percent of the vote, amends the City’s present documentary transfer tax by adding a new tax, subject to certain exemptions, of (a) 4.0 percent on the sale or transfer of real property exceeding \$5 million but less than \$10 million, and (b) 5.5 percent on the sale or transfer of real property of \$10 million or more. The City presently imposes a documentary transfer tax at a rate of approximately 0.45 percent on properties sold for over \$100. Proceeds of the City’s present documentary transfer tax are deposited in the General Fund, while proceeds of the ULA special tax will be deposited into a special fund to be used for affordable housing projects and programs as set forth under ULA. The ULA special tax became effective pursuant to its terms on April 1, 2023.

On December 21, 2022, Howard Jarvis Taxpayers Association and Apartment Association of Greater Los Angeles filed, in Los Angeles County Superior Court, a reverse validation action to invalidate the ULA special tax (*Howard Jarvis Taxpayers Assn. et al. v. City of Los Angeles et al.*) (“Jarvis Action”) pursuant to California Code of Civil Procedure section 860 et seq. On January 6, 2023, Newcastle Courtyards, LLC and Jonathan Benabou (collectively “Newcastle”) also filed a reverse validation action in Los Angeles County Superior Court (*Newcastle Courtyards, LLC et al. v. City of Los Angeles et al.*) pursuant to California Code of Civil Procedure section 860 et seq. Newcastle filed an additional complaint in the United States District Court for the Central District of California to challenge the validity of ULA and the ULA special tax (collectively “Newcastle Actions”). The Jarvis Action seeks to enjoin the ULA special tax by alleging that the enactment of the ULA special tax violates Section 450 of the Charter and Section 4 of Article XIII A of the California Constitution. The Newcastle Actions, similarly, seek to enjoin the ULA special tax based on allegations that it violates Section 4 of Article XIII A of the California Constitution and would infringe various taxpayer

protections and rights granted under the U.S. Constitution and California Constitution. On September 5, 2023, the United States District Court dismissed Newcastle's federal court action for lack of subject matter jurisdiction, without prejudice to Newcastle's separate action filed in Los Angeles County Superior Court. The City is defending ULA and its interests in these matters. Due to the preliminary nature of the matters, the City cannot provide any assurances that ULA and the ULA special tax will ultimately be upheld in court.

The City also cannot predict whether the statewide ballot initiative, known as the “Taxpayer Protection and Government Accountability Act,” will be approved by a majority of voters casting a ballot at the November 5, 2024 statewide election (see “LIMITATIONS ON TAXES AND APPROPRIATIONS—Future Initiatives”). If passed, the Taxpayer Protection and Government Accountability Act could impact the ability of the City to levy the ULA special tax.

Notwithstanding the above challenges to the ULA, the Fiscal Year 2023-24 Adopted Budget appropriates \$150 million in ULA special tax revenues to pay for affordable housing and homelessness prevention programs. Total expected ULA special tax revenues in Fiscal Years 2022-23 and 2023-24 are projected to be approximately \$672 million. The excess over the \$150 million described above is not budgeted for expenditure. In the event the ULA special tax is invalidated in court, the General Fund may be at risk of repaying ULA special tax receipts collected that have been expended. The City has attempted to mitigate this risk with the intent to use eligible future year FEMA reimbursements from previous COVID-19 response activities to make any required repayments, but the receipt of FEMA reimbursements are uncertain in both their amount and timing and any repayment obligation, should it occur, would ultimately fall on the General Fund.

In addition to the legal challenges to the ULA, the availability of ULA special tax revenues is subject to actual receipt of these tax revenues. Documentary Transfer Tax revenues such as the ULA special tax are volatile because the growth (or decline) of this revenue source is magnified when home prices and sales volume move together.

Street and Sidewalks Maintenance; Americans With Disabilities Act Compliance. The City faces costs in the billions of dollars relating to the repair and maintenance of streets and sidewalks in the City, and compliance with the Americans With Disabilities Act (“ADA”). See “BUDGET AND FINANCIAL OPERATIONS—Capital Program.” These costs include costs relating to the City’s Pavement Preservation Program and Sidewalk Repair Program for street repairs and sidewalk (including access and curb ramps) remediation projects. Certain of the activities under the Pavement Preservation Program, such as street resurfacing and reconstruction, trigger the application of current ADA provisions, which requires the updating of existing access ramps or the construction of new ramps where there are none. These expenditures related to street and sidewalk repair and maintenance also include expenditures required by the settlement of previous litigation in 2016 (*Willits, et al. v. City of Los Angeles*), under which the City committed to expend approximately \$1.4 billion over a 30 year period for various sidewalk remediation projects.

The Fiscal Year 2023-24 Adopted Budget appropriates \$274.9 million (of which \$57.1 million represents appropriations from the General Fund) for street and sidewalk repair and maintenance (including costs of ADA compliance required in connection with such repair and maintenance and \$35.7 million appropriated in said budget pursuant to the *Willits* litigation settlement). The amount and timing of expenditures relating to the repair and maintenance of streets and sidewalks in the City, and compliance with the ADA related thereto, is uncertain. There can be no assurances that the annual cost of such work (or the portion of such cost to be paid from the General Fund) will not significantly increase from the levels in Fiscal Year 2023-24 in future fiscal years, or that there will not be further actions or enforcement activities under the ADA. Significant increases above currently contemplated levels could materially adversely impact the General Fund.

Litigation. The City is routinely party to a variety of pending and threatened lawsuits. These matters include litigation relating to homelessness, as mentioned above, and with the U.S. Department of Justice (“DOJ”) over the City’s alleged violation of the False Claims Act in connection with certain federal accessibility law compliance certifications to the U.S. Department of Housing and Urban Development, the latter of which could

result in potential exposure to the City estimated to be \$3 billion based on certain private parties' original complaint (which included a claim for treble damages). See "LITIGATION."

Clean Water Compliance. On July 23, 2021, the Los Angeles Regional Water Quality Control Board ("LARWQCB") adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 Permit"). Eighty-four of the 88 cities in Los Angeles County (including the City), the Los Angeles County Flood Control District (LACFCD), and the Counties of Los Angeles and Ventura are covered by the MS4 permit, which requires the collective expenditure of tens of billions of dollars by the impacted municipalities through 2037. The City's share of the costs is estimated to be approximately \$8 billion. While a portion of these cost will be funded through a county-wide parcel tax, like many other impacted municipalities, the City has not identified funding sources for a significant portion of these costs. See "OTHER MATTERS—Clean Water Compliance."

Expiring Labor Contracts. The vast majority of the City's employee labor contracts will expire by the end of 2023. On August 23, 2023, the City council approved a contract with the Police Protective League, which represents over 8,900 sworn police officers. See the caption "BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies." Contracts with the Coalition of LA City Unions, the Engineering and Architects Association, and the Municipal Construction Inspectors Association, representing a total of 29,500 civilian employees, expire by the end of December 2023. No successor deals are yet in place and, while it is possible that those deals would require compensation adjustments in 2023-24, there is no appropriation for those potential costs in the Fiscal Year 2023-24 Adopted Budget.

The City has strategies to address potential Fiscal Year 2023-24 costs associated with compensations adjustments that it may negotiate. The City is experiencing high vacancy rates in many departments, which, if they continue, will continue to generate savings that could be used to absorb a portion of these costs. Further, the Fiscal Year 2023-24 Adopted Budget reappropriates \$73 million of the Fiscal Year 2022-23 \$93 million appropriation in the Unappropriated Balance for payroll reconciliation, which the City can use to offset these costs. The City is currently in negotiations. There can be no assurances that actual cost impacts will not exceed the ability of departments to absorb costs and amounts available in the UB. As a final option, the City would access its General Fund reserves during Fiscal Year 2023-24 for costs that it cannot absorb through these other means.

MUNICIPAL GOVERNMENT

The City provides a full range of governmental services, which include police, fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries, recreation and parks and cultural events; community development, housing and aging services; and planning. The City also operates and maintains the water and power utilities, harbor and airport, all served by proprietary departments within the City.

The City is a charter city; under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions; see "LIMITATIONS ON TAXES AND APPROPRIATIONS." The most recent Charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval.

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. The Mayor supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. The Mayor operates an executive department, of which the Mayor is the ex-

officio head. The current Mayor, Karen Bass, was elected to the office at the November 8, 2022 general election and assumed office on December 12, 2022.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. The Council consists of 15 members elected by district for staggered four-year terms.

On October 13, 2021, Mark Ridley-Thomas, then a member of the Council, was indicted on federal charges of conspiracy, bribery, mail fraud and wire fraud relating to alleged actions taken while he served on the Board of Supervisors of the County. On October 20, 2021, the Council voted to suspend Mr. Ridley-Thomas from office in light of the charges. On March 30, 2023, Mr. Ridley-Thomas was convicted of seven felony charges, which resulted in his office becoming vacant in accordance with the Charter. To fill the vacant office, Heather Hutt, who has been filling the District 10 Council seat by appointment (at times in a non-voting caretaker capacity) since July 20, 2022, was appointed by the Council as the District 10 Council member for the remainder of the unexpired term on April 11, 2023. See also “OTHER MATTERS—Public Corruption Matters.”

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Kenneth Mejia, assumed office on December 12, 2022.

The City Attorney is the attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Hydee Feldstein Soto, assumed office on December 12, 2022.

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term limits of three four-year terms.

The City Administrative Officer (“CAO”) is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation.

The Office of Finance (“Finance”) serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City’s general and special pool investment portfolios and cash programs.

The City has 41 departments and bureaus for which operating funds are annually budgeted by the Council. Two additional departments, the Los Angeles City Employees’ Retirement System (“LACERS”) and the Los Angeles Fire and Police Pension Plan (“LAFPP”), are under the control of boards whose memberships consist of mayoral appointees and representatives elected by system members. In addition, three departments (the Department of Water and Power (“DWP”), the Harbor Department, and the Department of Airports) and one State-chartered public agency (the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council.

BUDGET AND FINANCIAL OPERATIONS

Financial Reporting and Fiscal Year 2021-22 Results

The City prepares its financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) as promulgated by the Governmental Accounting Standards Board (“GASB”). The Financial Statements include a consolidated statement of governmental activities, which accounts for all functions of the City that are principally supported by taxes and other revenues not intended to recover costs through user fees and charges. GAAP requires the inclusion of both pension and retiree health liabilities in the government-wide

Statement of Net Position. The City’s Annual Comprehensive Financial Report (the “ACFR”) for the Fiscal Year Ended June 30, 2022 reported a deficit balance for the governmental activities’ unrestricted net position of \$5.240 billion, largely due to a net long-term pension liability of \$3.650 billion and net liability of \$0.907 billion for Other Post-Employment Benefits such as health care (“OPEB”).

The General Fund is the primary operating fund of the City, and the focus of this Appendix A. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

Fiscal Year 2021-22 represented a significant reversal from the COVID-driven revenue pressures of the prior two fiscal years, with American Rescue Plan Act’s State and Local Fiscal Recovery Funds program (“ARPA”) funds accounting for an additional \$639.5 million in revenues available for eligible General Fund expenditures. In addition, most City revenues returned to pre-pandemic levels.

The following two tables summarize financial information for the General Fund contained in the City’s audited Basic Financial Statements presented in the ACFR and prepared in accordance with GAAP for the periods indicated.

Table 1
BALANCE SHEETS FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	2018	2019	2020	2021	2022
Assets					
Cash and Pooled Investments ⁽¹⁾	\$ 1,058,705	\$ 1,291,607	\$1,433,584	\$1,856,003	\$1,992,342
Other Investments	-	-	451	762	727
Taxes Receivable	669,205	675,777	682,470	782,303	1,116,337
Accounts Receivable	107,631	109,123	127,181	139,628	147,123
Special Assessments Receivable	3,040	3,174	2,863	3,550	4,459
Investment Income Receivable	12,985	15,680	10,014	7,812	10,463
Intergovernmental Receivable	143,773	149,002	152,247	193,305	284,965
Leases Receivable	-	-	-	-	1,977
Loans Receivable	-	-	42	1,331	1,382
Due from Other Funds	115,287	84,183	196,394	104,675	111,970
Inventories	33,004	46,653	42,053	39,760	39,228
Prepaid Items and Other Assets	5	7	11	34	408
Advances to Other Funds	8,814	8,688	20,831	21,374	26,859
Total Assets	\$ 2,152,449	\$ 2,383,894	\$2,668,141	\$3,150,537	\$3,738,240
Liabilities:					
Accounts, Contracts and Retainage Payable	\$ 83,488	\$ 93,312	\$ 254,392 ⁽⁵⁾	\$ 272,990	\$ 286,482
Obligations Under Securities Lending Transactions	33,339	21,874	13,799	19,333	39,182
Accrued Salaries and Overtime Payable	203,015	221,902	252,022	120,242	181,678
Accrued Compensated Absences Payable	9,254	8,381	7,912	11,529	5,385
Estimated Claims and Judgments Payable	69,831	66,284	35,741	37,511	42,358
Intergovernmental Payable	493	56	1,010	882	953
Due to Other Funds	133,283	141,905	188,702	174,796 ⁽⁶⁾	102,491 ⁽⁶⁾
Unearned Revenue	972	1,535	-	322,085 ⁽⁷⁾	302,455 ⁽⁷⁾
Deposits and Advances	9,094	12,974	9,184	11,901	21,739
Advances from Other Funds	18,391	12,499	131,093	81,148	56,130
Other Liabilities	45,737	37,248	53,177	89,104	66,079
Total Liabilities	\$ 606,897	\$ 617,970	\$ 947,032	\$1,141,521	\$1,104,932
Deferred Inflows of Resources					
Real Estate Tax	\$ 62,674	\$ 68,813	\$ 88,615	\$ 88,635	\$ 86,191
Taxes Other than Real Estate	344,215	377,206	398,251	431,719	699,740
Receivables from Other Government Agencies	125,663	131,890	129,309	142,325	135,673
Interest Receivable on Loans and Others	83,785	81,974	112,805	122,360	212,092
Leases	-	-	-	-	1,918
Total Deferred Inflows of Resources	\$ 616,337	\$ 659,883	\$ 728,980	\$ 785,039	\$1,135,614
Fund Balances					
Nonspendable ⁽²⁾	\$ 41,823	\$ 55,348	\$ 62,895	\$ 61,168	\$ 66,495
Restricted	-	-	-	-	-
Committed	25,151	33,092	37,386	71,733	85,078
Assigned ⁽³⁾	289,080	334,195	356,167	426,654	724,278
Unassigned ⁽⁴⁾	573,161	683,406	535,681	664,422	621,843
Total Fund Balances	\$ 929,215	\$ 1,106,041	\$ 992,129	\$1,223,977	\$1,497,694
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,152,449	\$ 2,383,894	\$2,668,141	\$3,150,537	\$3,738,240

⁽¹⁾ Includes securities held under securities lending transactions, offset by the Liability "Obligations Under Securities Lending Transactions."

⁽²⁾ Includes inventories and certain advances to other funds.

⁽³⁾ Includes encumbrances, various revolving funds, and certain net receivables.

⁽⁴⁾ Primarily consists of the City's Reserve Fund and BSF (defined below).

⁽⁵⁾ The significant increase in Accounts Payable balances beginning in Fiscal Year 2019-20 is due to the implementation of GASB 84, which reclassifies what were previously Business-Type Funds (Custodial Funds) to Governmental Funds.

⁽⁶⁾ Includes approximately \$90.8 million to be paid to the City's wastewater enterprise fund for Fiscal Year 2020-21 and approximately \$34.8 million to be paid to the City's wastewater enterprise fund for Fiscal Year 2021-22, which may be accelerated in connection with potential budgetary constraints of the wastewater enterprise fund.

⁽⁷⁾ Represents unspent cash balances of ARPA receipts.

Source: City of Los Angeles, ACFRs.

Table 2
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	2018	2019	2020	2021	2022
Revenues:					
Property Taxes	\$ 1,958,033	\$ 2,075,764	\$ 2,213,899	\$ 2,401,848	\$ 2,492,320
Sales Taxes	534,236	596,465	536,362	562,217	694,218
Utility Users Taxes	640,711	606,369	643,564	610,946	632,433
Business Taxes	534,994	617,169	668,035	686,520	756,960
Other Taxes	688,804	729,649	620,653	521,955	778,563
Licenses and Permits	38,777	34,157	34,999	29,390	31,493
Intergovernmental	17,822	23,062	27,284	28,145	43,171
Charges for Services	315,900	306,462	351,983	358,772	341,191
Services to Enterprise Funds	316,245	326,650	368,706	328,481	327,326
Fines	141,346	135,526	113,643	100,559	116,805
Special Assessments	1,755	1,825	769	1,731	2,691
Investment Earnings	33,024	84,257	99,248	28,579	35,770
Change in Fair Value of Investments ⁽¹⁾	(26,754)	-	-	(34,572)	(145,900)
Other	55,039	99,717	65,406	46,107	62,094
Total Revenues	<u>\$ 5,249,932</u>	<u>\$ 5,637,072</u>	<u>\$ 5,744,551</u>	<u>\$ 5,670,678</u>	<u>\$ 6,169,135</u>
Expenditures:					
Current:					
General Government ⁽²⁾	\$ 1,332,676	\$ 1,336,331	\$ 1,553,572	\$ 1,478,060	\$ 1,573,832
Protection of Persons and Property	2,963,819	3,095,356	3,269,764	3,221,865	3,414,251
Public Works	186,390	193,846	219,657	147,933	201,042
Health and Sanitation	95,705	111,680	107,329	121,325	164,898
Transportation	119,240	107,590	102,720	112,490	139,871
Cultural and Recreational Services	61,996	61,120	52,220	44,018	79,454
Community Development	39,074	54,000	84,944	134,074	108,209
Capital Outlay	27,858	110,000	54,241	29,164	53,975
Debt Service: Principal	-	-	-	-	20,682
Debt Service: Interest	13,524	23,538	19,609	5,194	3,752
Debt Service: Cost of Issuance	763	518	559	1,103	867
Total Expenditures	<u>\$ 4,841,045</u>	<u>\$ 5,093,979</u>	<u>\$ 5,464,615</u>	<u>\$ 5,295,226</u>	<u>\$ 5,760,833</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 408,887	\$ 543,093	\$ 279,936	\$ 375,452	\$ 408,302
Other Financing Sources (Uses)					
Transfers In ⁽³⁾	\$ 277,315	\$ 265,723	\$ 292,948	\$ 584,808	\$ 910,652
Transfers Out ⁽⁴⁾	(643,061)	(724,032)	(714,147)	(728,412)	(1,060,079)
Loans from Capital Leases	-	78,393 ⁽⁶⁾	-	-	14,842
Total Other Financing Sources (Uses)	<u>\$ (365,746)</u>	<u>\$ (379,916)</u>	<u>\$ (421,199)</u>	<u>\$ (143,604)</u>	<u>\$ (134,585)</u>
Net Change in Fund Balance	43,141	163,177	(141,263)	231,848	273,717
Fund Balances, July 1	886,228	929,215	1,106,041	992,129	1,223,977
Cumulative Effect of Change in Accounting Principle ⁽⁵⁾	-	-	27,351	-	-
(Decrease) Increase in Reserve for Inventories	<u>(154)</u>	<u>13,649</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, July 1 Restated	-	-	1,133,392	-	-
Fund Balances, June 30	\$ 929,215	\$ 1,106,041	\$ 992,129	\$ 1,223,977	\$ 1,497,694

⁽¹⁾ When minor, any losses due to fair market valuation is netted out of interest earnings. Losses were reported separately in Fiscal Years 2017-18, 2020-21 and 2021-22 to provide a more meaningful illustration of real investment earnings.

⁽²⁾ The increase in general government expenditures from Fiscal Years 2018-19 to 2019-20 primarily represent the purchase of testing kits and personal protective equipment for COVID-19 and the construction costs of multiple homeless projects.

⁽³⁾ Historically, this line item has constituted primarily of transfers from the Power Revenue Fund; see "MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers to General Fund." For Fiscal Year 2020-21, includes \$317 million in ARPA funds. For Fiscal Year 2021-22, includes \$659.1 million in ARPA funds.

⁽⁴⁾ Primarily Charter-required transfers to the Library Department and the Department of Recreation and Parks of amounts equal to 0.0300 percent and 0.0325 percent, respectively, of assessed value of all property in the City and includes transfers to pay for General Fund lease-financing obligations.

⁽⁵⁾ In compliance with implementation guidelines for GASB Statement 84, certain activities were re-categorized from a Fiduciary Fund type to the appropriate governmental funds, including the General Fund as reported above.

⁽⁶⁾ Represents certain privately placed financings for the acquisition of equipment.

Source: City of Los Angeles, ACFRs.

City's Budgetary Process

The City's fiscal year extends from July 1 through June 30. Under the Charter, the Mayor is required each year to submit to the Council a Proposed Budget (the "Proposed Budget") by April 20. The Proposed Budget is based on the Mayor's budget priorities and includes estimates of receipts from the City's various revenue sources. By Charter, the Mayor presents and the Council adopts a balanced budget with no deficit.

The Mayor's Proposed Budget is reviewed by the Council's Budget, Finance and Innovation Committee, which reports its recommendations to the full Council. The Council is required by Charter to adopt the Mayor's Proposed Budget, as modified by the Council, by June 1. If Council does not act on the Mayor's Proposed Budget by June 1, pursuant to the Charter, the Mayor's Proposed Budget becomes the City Budget for the ensuing fiscal year. If the Council acts and modifies the Mayor's Proposed Budget, the Mayor has five working days after adoption to approve or veto any items modified by the Council. The Council then has five working days to override by a two-thirds vote any items vetoed by the Mayor. After that time, the budget becomes the "Adopted Budget."

The budget is subject to revision throughout the fiscal year to reflect any changes in revenue and expenditure projections. During the fiscal year, the City monitors its revenues, expenditures and reserve estimates, and the CAO issues interim financial status reports (each an "FSR") as deemed appropriate. These reports identify various potential expenditures that could exceed budgeted amounts and recommend transfers to address them. These reports also update revenue projections and the condition of budgetary reserves and raise issues of concern. These and other changes approved by the Mayor and Council throughout the fiscal year become the basis of the "revised budget" reported in each subsequent year's Proposed and Adopted Budget. FSRs are typically issued each fiscal year at the end of October, early December, early March and end of May.

Fiscal Year 2022-23

On June 1, 2023, the CAO released the Year-End Financial Status Report for Fiscal Year 2022-23. The report identified some downside risk from sales tax, documentary transfer tax, and federal grant receipts but did not recommend adjustments to the revised projection that Fiscal Year 2022-23 General Fund revenues would be \$118.3 million or 1.6 percent above the Fiscal Year 2022-23 Adopted Budget as most General Fund receipts are on target to meet the revised estimates with minor variances. The report included recommendations to address remaining projected overspending of \$65.2 million. This overspending is largely attributed to Fire Department unbudgeted sworn salary payouts and contract obligations, liability claims, and the over-allocation of funds from the Sewer Construction and Maintenance Fund to related costs, which include pensions, benefits, and overhead costs for positions funded by the Sewer Construction and Maintenance Fund. The CAO recommended \$62.2 million in transfers and loans from the Reserve Fund to address overspending and low levels of new spending, reducing the balance of the Reserve Fund to \$441.8 million, or 5.9 percent of General Fund revenues. These transfers were anticipated in the Fiscal Year 2023-24 Adopted Budget and will not change the estimated July 1, 2023 Reserve Fund balance of 7.18 percent of Fiscal Year 2023-24 projected General Fund revenues. The various actions recommended and anticipated in the report will exhaust the Unappropriated Balance, Reserve for Mid-Year Adjustments account.

The report notes that the CAO continues to track increased departmental costs from inflationary pressures on fuel, materials, and other commodity prices; however, current projections of overspending attributed to inflation are relatively small and most departments continue to project the ability to use savings in other accounts to address this potential overspending.

Fiscal Year 2023-24 Adopted Budget

Total budgeted General Fund revenue for Fiscal Year 2023-24 is \$7.90 billion, which represents an increase of 4.5 percent from the revised revenue for Fiscal Year 2022-23. Excluding Reserve Fund transfers in Fiscal Year 2022-23 and Fiscal Year 2023-24, the increase is 2.9 percent. This increase is below historical

average growth for General Fund revenues, resulting from lower than average projected increases in General Fund taxes of only 1.7 percent over Fiscal Year 2022-23 revised estimates. This lower growth is offset by a \$136.4 million Reserve Fund transfer. The Fiscal Year 2023-24 Adopted Budget balances significant investments to combat homelessness, increases capital and technology spending by \$37 million, authorizes the hiring of up to 980 sworn police officers for a potential net increase of 390 officers through both fully filled recruit classes and an optional retiree call back program, while maintaining the General Fund Reserves in compliance with Financial Policies (defined below). Although the Fiscal Year 2023-24 Adopted Budget authorizes police hiring described above, in anticipation that the target hiring levels may not be achievable it does not fully fund it.

The following table presents the Fiscal Year 2023-24 Adopted Budget and the Adopted Budgets for the preceding Fiscal Years. The table does not reflect changes made to the budgets subsequent to their original adoption, which for Fiscal Years 2019-20, 2020-21, and 2021-22 in particular were substantial due to pandemic-related revenue shortfalls and the availability of federal relief funds.

The City does not prepare the budget based on GAAP classifications, so that historic revenues and expenditures in the table below will vary from those used in Table 2 above, which is derived from the City's ACFR and prepared on a GAAP basis. Besides the basic accounting basis of recognition of revenues on a cash (budget) rather than accrual basis (GAAP), inter-fund transfers and other transactions are classified in a different manner. For example, certain line items such as Licenses and Permits are substantially different between the budget and the financial statements; in the financial statements, significant reimbursements to the General Fund from special revenues funds are netted out along with corresponding expenditures.

With respect to both the historical budgetary information and the projected budgetary information set forth below and elsewhere in this Appendix A, it is not possible to predict whether the trends set forth in the tables will continue in the future.

**Table 3A
CITY OF LOS ANGELES GENERAL FUND ADOPTED BUDGET**

	2019-20	2020-21	2021-22	2022-23	2023-24
General Fund Revenues					
Property Taxes ⁽¹⁾	\$ 2,115,611,000	\$ 2,297,080,000	\$ 2,400,250,000	\$ 2,535,005,000	\$ 2,640,250,000
Property Tax – Ex-CRA Tax Increment	100,386,000	95,900,000	111,990,000	153,800,000	143,730,000
Other Taxes ⁽²⁾	2,564,605,000	2,424,603,000	2,442,702,000	2,783,590,000	2,897,065,000
Licenses, Permits, Fees and Fines ⁽³⁾	1,432,853,292	1,560,189,689	1,466,009,998	1,526,675,386	1,620,128,165
Intergovernmental ⁽⁴⁾	235,600,000	224,100,000	225,819,000	229,721,000	236,502,000
Other General Fund ⁽⁵⁾	83,994,246	50,856,187	835,848,794	180,646,799	288,661,081
Interest	<u>36,700,000</u>	<u>34,613,000</u>	<u>20,603,000</u>	<u>36,610,000</u>	<u>77,000,000</u>
Total General Fund Revenue	\$ 6,569,749,538	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185	\$ 7,903,336,246
General Fund Appropriations					
Fire Department	\$ 682,509,340	\$ 723,143,241	\$ 737,168,351	\$ 771,870,860	\$ 826,191,237
Police Department	1,676,632,617	1,796,387,613	1,702,988,343	1,803,434,641	1,785,894,868
Other Budgetary Departments	971,170,179	886,359,305	1,042,389,720	1,097,320,359	1,222,282,938
Tax and Revenue Anticipation Notes ⁽⁶⁾	1,302,296,587	1,323,536,029	1,333,686,071	1,336,147,626	1,373,059,172
Capital Finance Administration ⁽⁷⁾	223,750,313	211,750,313	224,436,534	228,856,646	178,053,731
Human Resources Benefits	743,564,377	800,593,969	774,377,710	805,331,098	861,864,205
Other General Fund Appropriations	<u>969,826,125</u>	<u>945,571,406</u>	<u>1,688,176,063</u>	<u>1,403,086,955</u>	<u>1,655,990,095</u>
Total General Fund Appropriations	\$ 6,569,749,538	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185	\$ 7,903,336,246

- ⁽¹⁾ Property taxes include all categories of the City allocation of 1% property tax collections such as secured, unsecured, State replacement, redemptions and penalties, supplemental receipts and other adjustments and is net of refunds and County charges. Also included are property taxes remitted to the City as replacement revenue for both State Vehicle License Fees and sales and use taxes.
- ⁽²⁾ Other taxes include utility users tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking occupancy tax, and residential development tax. See “MAJOR GENERAL FUND REVENUE SOURCES” for a discussion of these taxes.
- ⁽³⁾ This item has been renamed “Departmental Receipts” beginning with the Fiscal Year 2020-21 Budget. Also includes State Vehicle License Fees, parking fines and franchise income, which are described under “MAJOR GENERAL FUND REVENUE SOURCES.”
- ⁽⁴⁾ Intergovernmental revenues include proprietary departments’ transfers.
- ⁽⁵⁾ Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, and any transfers from the Reserve Fund or the BSF. For 2021-22, this item includes one-time revenues from ARPA.
- ⁽⁶⁾ A significant portion of the City’s TRAN proceeds are used to pay the annual contribution to LACERS and LAFPP. The budget line item for TRAN repayment is primarily for principal for this portion of the program and is made in lieu of direct appropriations for contributions to the two retirement systems. See “RETIREMENT AND PENSION SYSTEMS.” Interest due on the TRAN is also included in this line item.
- ⁽⁷⁾ This fund is used to make lease payments on various lease revenue bonds, privately placed leases and commercial paper notes.
- Source: City of Los Angeles, Office of the City Administrative Officer.

General Fund Budget Outlook

The CAO periodically prepares a four-year Outlook, which compares projected revenues to projected expenditures in order to identify trends and potential future pressures. The most recent Outlook, presented below, was prepared in May 2023 to reflect the Fiscal Year 2023-24 Adopted Budget (referred to as “the Outlook,” herein).

Each Outlook the CAO prepares begins with the balanced budget for the current budget year, in compliance with the City’s requirement to adopt a balanced budget, and projects revenue and expenditure changes for the next four fiscal years. The Outlook projects a budget gap in Fiscal Year 2024-25 with a surplus in Fiscal Years 2025-26 through 2027-28. Any budget gap is addressed with the adoption of the budget in future fiscal years.

Significant assumptions used by the City in the development of the most recent Outlook include the following:

- Revenues will increase moderately each year. Projected increases range from 2.2 percent to 4.0 percent. The Outlook does not assume the occurrence of a recession, continuing extraordinary inflation or a new outbreak of a COVID-19 variant that prompts the reissuing of stay-at-home orders and a resulting economic downturn.

- Expenditures reflect major expenses known at the time of preparation of the Outlook.
- The City’s contributions rates are based on information calculated by the systems’ actuary. The Board of Commissioners for LACERS and LAFPP have adopted an assumed investment rate of return of 7.0 percent. In May 2023, the LAFPP Board adopted a new set of economic and demographic assumptions and retained the 7.0 percent investment rate of return. The LACERS Board is expected to reconsider its economic and demographic assumptions during the summer of 2023. The impacts of future assumption changes on the City contribution to the Retirement Systems are not included in the Outlook. As of May 2023 on a preliminary, unaudited basis, the rate of return for Fiscal Year 2022-23 was approximately 5 percent for both LACERS and LAFPP. If the annual rate of return falls short of the assumption, all else being equal, the City’s contributions in future years will exceed the amounts that the Outlook projects. See “RETIREMENT AND PENSION SYSTEMS.”
- The Outlook does not assume any increases in employee compensation arising from labor agreements beyond those in place in May 2023, and “natural” cost growth from such events as promotions and salary step-increases. Since the Outlook was prepared in May 2023, the City entered into a successor agreement with the Los Angeles Police Protective league (“LAPPL”), which will have an estimated cost impact of \$123 million in Fiscal Year 2023-24, of which \$26 million is a pension cost that will be paid through future fiscal year contributions. See the caption “BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies.” Most other current agreements expire in Fiscal Year 2023-24. New labor agreements are likely to increase salary and pension costs in the out years.
- The Outlook also does not include certain potentially large capital expenditures, including potential expenditures in connection with the City’s Civic Center Master Plan, the Convention Center expansion project, acceleration of the sidewalk access ramp program, restoration of the Los Angeles River, or mitigation of stormwater pollution, which the City has yet to approve. The Fiscal Year 2024-25 expenditure projection deletes funding for one-year projects. The Outlook assumes capital and technology funding in future years at the amount required to meet the policy spending level of 1.5 percent of General Fund revenue. See “BUDGET AND FINANCIAL OPERATION—Capital Program.”
- The Outlook does not assume the continuation of large one-time expenditures related to homelessness. This includes the \$250 million for the City’s “Inside Safe” program, which the Outlook assumes will partially continue in 2024-25 and then end, and the \$20 million for additional homeless services budgeted for Fiscal Year 2023-24, which the Outlook assumes will not continue in future years.
- The Outlook assumes the City will pay \$100 million per year in litigation losses. Actual payments may exceed that amount. See “—Risk Management and Retention Program” and “LITIGATION.”

While the City believes that the assumptions used in the development of the Outlook are reasonable, actual results will likely differ, and such differences may be material and adverse. There can be no assurance circumstances not reflected in the Outlook will not arise which could materially adversely impact the financial condition of the City.

Following is a summary presentation of the Outlook.

Table 3B
GENERAL FUND BUDGET OUTLOOK SUMMARY
As prepared and updated in connection with the Fiscal Year 2023-24 Adopted Budget
(\$ in millions)

	<i>Adopted</i> 2023-24	2024-25	2025-26	2026-27	2027-28
ESTIMATED GENERAL FUND REVENUE					
General Fund Base ⁽¹⁾	\$7,446.0	\$7,903.3	\$8,079.0	\$8,385.0	\$8,631.0
<u>Incremental Revenue Growth:</u>					
Property Related Taxes	(4.6)	177.2	153.5	176.5	183.8
Business and Sales Taxes	79.8	53.4	57.8	54.8	51.8
Departmental Receipts	90.4	57.8	66.1	69.2	72.4
Other Fees, Taxes, and Transfers ⁽²⁾	291.7	(112.7)	28.6	(54.5)	38.4
Total Revenue	\$7,903.3	\$8,079.0	\$8,385.0	\$8,631.0	\$8,977.4
General Fund Revenue Increase %	6.1%	2.2%	3.7%	2.9%	4.0%
General Fund Revenue Increase \$	\$457.3	\$175.7	\$306	\$246.0	\$346.4
ESTIMATED GENERAL FUND EXPENDITURES					
General Fund Base ⁽¹⁾	\$7,446.0	\$7,903.3	\$8,147.2	\$8,150.9	\$8,249.8
<u>Incremental Expenditure Growth:</u>					
Employee Compensation Adjustments	111.8	154.5	59.5	60.7	73.5
City Employees' Retirement System	39.3	109.7	(20.0)	37.4	25.6
Fire and Police Pensions	(23.6)	26.4	(118.3)	2.1	9.3
Benefits	56.6	40.3	37.4	40.8	44.6
Debt Service	(50.8)	7.5	(1.7)	6.5	(12.2)
Net-Other Additions and Deletions ⁽³⁾	324	(94.5)	46.8	(48.6)	42.4
Total Expenditures	\$7,903.3	\$8,147.2	\$8,150.9	\$8,249.8	\$8,433.0
Expenditure Growth (Reduction) %	6.1%	3.1%	0.0%	1.2%	2.2%
Expenditure Growth (Reduction) \$	\$457.3	\$243.9	\$3.7	\$98.9	\$183.2
REVENUES OVER (BELOW) EXPENDITURES	\$ --	\$(68.2)	\$234.1	\$381.2	\$544.4

⁽¹⁾ Based on prior year revenues and expenditures.

⁽²⁾ Growth in Fiscal Year 2023-24 average historical growth, not increased for inflation. Reduction in Fiscal Year 2024-25 reflects deduction of Fiscal Year 2023-24 transfer from Reserve Fund of \$136.4 million. Reduction in Fiscal Year 2026-27 reflects completion of COVID-related payments from FEMA.

⁽³⁾ Fiscal Year 2023-24 includes the restoration of one-time reductions and efficiencies and ongoing changes and new regular positions added to the base budget. Among the significant increases are a net increase of 785 regular authority positions, increased appropriations to Recreation and Parks, the Library, and increased expenditures for hotel development incentive agreements. Fiscal Year 2023-24 also reflects new and increased ongoing costs to a variety of departmental programs. Subsequent years include projected expenditures for the restoration of one-time expenditure reductions, hotel development incentive agreements, the recycling incentives program, Police vehicles, and increased appropriations to Recreation and Parks and the Library. The negative expenditure in Fiscal Year 2026-27 reflects, in part, reductions to the appropriation of FEMA reimbursements, which the Outlook assumes will reduce concurrently.

Source: City of Los Angeles, Office of the City Administrative Officer.

Budgetary Reserves and Contingencies

The City maintains a number of budgetary reserves and other funds designed to help manage its risks and ensure sufficient resources to meet contingencies. These funds represent a major component of what is reported as Unassigned Fund Balance at year-end in the City's financial reports. See the footnotes for "Table 1—Balance Sheets for the General Fund."

The City maintains a Reserve Fund, which was created by the Charter. The City may transfer moneys from the Reserve Fund as part of an Adopted Budget or throughout the fiscal year for unanticipated expenditures, or may transfer funds from the Reserve Fund as a loan to other funds. The City may also transfer moneys to the Reserve Fund from time to time throughout the year. All unencumbered cash amounts in the General Fund revert to the Reserve Fund at the end of the Fiscal Year; some of those funds will be re-appropriated at the beginning of the following fiscal year (primarily for General Fund capital projects, advances, and technical adjustments).

The City's Financial Policies ("Financial Policies") include a Reserve Fund policy setting forth the goal that the City maintain a budget-based Reserve Fund balance equal to at least 5 percent of General Fund revenues. The City's Reserve Fund policy addresses budget-based reserves and does not set specific goals for GAAP-based year-end fund balances.

After falling short of this goal for the first time in seven years in Fiscal Year 2020-21 due to the revenue impacts of the COVID-19 pandemic, the combination of ARPA receipts (which were used as revenue replacement to fund general government services) and the general recovery of City revenues to pre-pandemic levels facilitated the growth of budgetary reserves in Fiscal Year 2021-22, and the City exceeded this goal in the Fiscal Year 2022-23 and the Fiscal Year 2023-24 Adopted Budgets.

The Reserve Fund is composed of two accounts—an Emergency Reserve Account and a Contingency Reserve Account. Amounts in the Emergency Reserve Account, representing 2.75 percent of General Fund revenues, are restricted under the Charter for funding an "urgent economic necessity" upon a finding by the Mayor and Council of such necessity. If the City were to utilize amounts in the Emergency Reserve Account, the City would be expected to replenish the amount expended therefrom in the subsequent fiscal year except in the case of a catastrophic event, in which case the requirement can be temporarily suspended by Council and Mayoral action. The balance of the available Reserve Fund is allocated to the Contingency Reserve Account and is available to address unexpected expenditures relating to existing programs or revenue shortfalls upon authorization by the Mayor and Council.

On August 29, 2023, the Mayor and Council authorized a loan from the Reserve Fund of \$112 million for cash flow purposes related to the ULA. The loan will reduce the Reserve Fund balance but is expected be repaid in 2023-24 upon receipt of ULA revenue.

The Reserve Fund will be impacted by an agreement with the LAPPL for MOU 24 (Police Officers, Lieutenant and Below), which was approved by the City Council on August 23, 2023. The LAPPL agreement has an estimated cost impact of approximately \$123 million in Fiscal Year 2023-24, including an estimated \$26 million pension cost to be paid through future year contributions. The City's high vacancy rates, if they continue, will generate savings to absorb a portion of the cost as well. The City also has \$73 million in the UB carried over from the prior year that can be used to offset the costs of labor agreements, including the LAPPL agreement.

In addition, the City maintains a number of other funds that can be used to finance contingencies as they arise, the most important of which are the Budget Stabilization Fund (the "BSF") and the Unappropriated Balance (the "UB") line item for mid-year adjustments. Taken together, the Reserve Fund, the BSF, and the UB line item for mid-year adjustments comprise what the City considers to be its "General Fund Reserves."

Pursuant to the ordinance that regulates the BSF, as part of the annual budget process, a portion of the economically sensitive revenues projected to be above the historical average must be deposited into the BSF, which can then be used to help fund future expenditures when revenue is stagnant or is in decline. The economically sensitive revenues consist of seven General Fund tax revenue sources: property, utility users, business, sales, transient occupancy, documentary transfer, and parking occupancy taxes. For purposes of the Fiscal Year 2023-24 Adopted Budget, the growth rate used to determine BSF contributions was calculated to be 4.3 percent, based on the 20-year historical average of these tax revenues.

Under the BSF Financial Policy, excess projected revenue in the Fiscal Year 2023-24 Adopted Budget is \$25.9 million, which is not enough growth to trigger a required appropriation to the BSF. Nonetheless, the Adopted Budget includes a \$2.1 million transfer to the BSF and it is expected to begin the year with a balance of [\$196.8 million].

The UB was created by the Charter, which requires that an amount be included in the budget to be available for appropriations later in the fiscal year to meet contingencies as they arise. The amount and types of items identified in the UB vary each year depending on the specific challenges, the risks identified, and programs that have been approved but for which an appropriation for expenditure is premature. The Fiscal Year 2023-24 Adopted Budget includes allocations of \$30 million as a Reserve for Mid-Year Adjustments (considered part of the City’s General Fund Reserves), \$20 million as a Reserve for Extraordinary Liability, and \$42 million as a contingency reserve for anticipated reimbursements from the Federal Emergency Management Agency (“FEMA”), which could be delayed. If these reimbursements from FEMA are paid during Fiscal Year 2023-24, the Fiscal Year 2023-24 Adopted Budget intends that a portion of these funds will be used to increase the Reserve Fund balance. As in all years, the UB contains allocations for a number of other potential expenditures, the largest of which include \$23 million for the decarbonization and development of solar on City facilities, \$15 million to finance the acquisition of interim housing beds to support individuals experiencing homelessness, and \$13 million to support the implementation of an unarmed crisis response pilot program. The UB budget for Fiscal Year 2023-24 also includes \$14.1 million to pay expenses of the 2023 special runoff election and the March 2024 primary election.

The City adopted a revision to its Financial Policies in January 2020 to add the stated goal of maintaining the cumulative value of its General Fund Reserves at an amount equal to at least 10 percent of all General Fund revenues anticipated for that fiscal year in the Adopted Budget. Based on the estimated Reserve Fund balance as of July 1, 2023, the City will begin Fiscal Year 2023-24 with budgetary General Fund Reserves totaling [10.1 percent] of budgeted General Fund revenues.

The following table summarizes both budgeted and actual reserves. The history of projected Reserve Fund balances as of July 1, as anticipated in past Adopted Budgets, and the actual Reserve Fund balances that occurred on July 1 of those years is intended to illustrate the historical variance between budgeted and actual amounts. A number of factors affect the actual balance at the beginning of the year, including final expenditures and revenues for the preceding fiscal year, the reversion of unencumbered funds at year end, the reappropriation of a portion of those reversions through the budget, and appropriations to and from the Reserve Fund. The table also sets forth the City’s other major contingency resources, in addition to the City’s Reserve Fund, namely the BSF and the UB line item for mid-year adjustments. These balances are reported as of the beginning of the fiscal year rather than the end of the prior year to avoid overstating them as a result of year-end reversions, many of which are reappropriated as of July 1, and to account for any transfers made as part of an Adopted Budget.

[Table 4]
HISTORICAL RESERVE FUND BALANCE AS OF JULY 1
Adopted Budget and Actual
(Cash Basis; \$ in millions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Adopted Budget										
Emergency Reserve	\$ 141.3	\$ 148.8	\$ 153.4	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.4	\$ 204.8	\$ 217.3
Contingency	<u>142.8</u>	<u>164.6</u>	<u>181.5</u>	<u>138.1</u>	<u>180.7</u>	<u>229.7</u>	<u>59.4</u>	<u>303.5</u>	<u>272.7</u>	<u>350.2</u>
	\$ 284.1	\$ 313.4	\$ 334.9	\$ 298.3	\$ 350.9	\$ 410.4	\$ 243.3	\$ 509.9	\$ 477.5	\$ 567.5
Total Budgeted General Fund Revenues	\$5,138.3	\$ 5,410.4	\$ 5,576.4	\$5,826.5	\$6,190.6	\$ 6,569.7	\$6,687.3	\$7,503.2	\$ 7,446.0	\$ 7,903.3
Reserve Fund Balance as % of Budgeted General Fund Revenues	5.53%	5.79%	6.01%	5.12%	5.67%	6.25%	3.64%	6.80%	6.41%	7.18%
Budget Stabilization Fund (BSF)										
Reserves for Mid-Year in UB	\$ 64.4	\$ 91.5	\$ 92.4	\$ 95.1	\$ 107.3	\$ 113.9	\$ 116.6	\$ 118.0	\$ 192.1	\$ 196.8
Total General Fund Budget Reserves	<u>20.7</u>	<u>17.0</u>	<u>15.0</u>	<u>20.0</u>	<u>20.3</u>	<u>35.0</u>	<u>30.1</u>	<u>14.9</u>	<u>24.3</u>	<u>30.0</u>
% of Budgeted General Fund Revenues	\$ 369.2	\$ 421.9	\$ 442.3	\$ 413.3	\$ 478.6	\$ 559.4	\$ 390.0	\$ 642.8	\$ 693.9	\$ 794.3
	7.19%	7.80%	7.93%	7.09%	7.73%	8.51%	5.83%	8.57%	9.32%	10.05%
Actual										
Emergency Reserve	\$ 141.3	\$ 148.8	\$ 153.3	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.3	\$ 204.8	
Contingency	<u>241.7</u>	<u>293.8</u>	<u>180.9</u>	<u>194.3</u>	<u>175.6</u>	<u>226.5</u>	<u>78.6</u>	<u>440.7</u>	<u>396.9</u>	
	\$ 383.0	\$ 442.6	\$ 334.2	\$ 354.5	\$ 345.8	\$ 407.2	\$ 262.5	\$ 647.0	\$ 601.7	
Reserve Fund Balance as % of Budgeted General Fund Revenues	7.45%	8.18%	5.99%	6.08%	5.59%	6.20%	3.93%	8.62%	8.08%	

Source: City of Los Angeles, Office of the City Administrative Officer.

Financial Management Policies

The City has adopted a number of Financial Policies. Several of these policies relate to the City’s Reserve Fund and BSF. See “Budgetary Reserves and Contingencies” above for a description of these Financial Policies.

Another component of the Financial Policies requires that one-time revenues only be used for one-time expenditures. The Fiscal Year 2023-24 Adopted Budget satisfies this policy by allocating \$245 million in one-time revenues toward \$488 million in one-time expenditures.

The Financial Policies provide for the City to annually budget 1.5 percent of General Fund revenues to fund capital and technology infrastructure improvements. The Fiscal Year 2023-24 Adopted Budget complies with this policy by providing \$160 million in General Fund capital and technology spending, equivalent to 2.02 percent of General Fund revenues.

The City also has limits on the amount of debt service it considers affordable and is well below those thresholds. See “BONDED AND OTHER INDEBTEDNESS—Debt Management Policies.”

Risk Management and Retention Program

Because of its size and its financial capacity, the City has long followed the practice of directly assuming most insurable risks without procuring commercial insurance policies. The extent and variety of City exposure is such that the cost of the premiums outweighs the benefits of such coverage. The City administers, adjusts, settles, defends and pays claims from budgeted resources. The City is self-insured for workers’ compensation

as permitted under State law. The City procures commercial insurance when required by bond or lease financing covenants and for other limited purposes.

Funds are budgeted annually to provide for claims and other liabilities based both on the City’s historical record of payments and an evaluation of known or anticipated claims. From time to time, the City has issued judgment obligation bonds to finance larger judgments or settlements, as it did in Fiscal Years 2008-09 and 2009-10. There are no judgment obligation bonds currently outstanding.

The City’s recent budget and claims payment experience is listed in the table below.

Table 5
LIABILITY CLAIMS PAID⁽¹⁾
(\$ in millions)

<i>Fiscal Year</i>	<i>Total Amount Budgeted</i>				<i>Total Claims Paid</i>
	<i>General Fund⁽²⁾</i>	<i>Special Funds</i>	<i>Unappropriated Balance</i>	<i>Total</i>	
2019-20	\$80.0	\$10.5	\$20.0	\$110.5	\$126.9
2020-21	80.0	7.9	-	87.9	87.3
2021-22	80.0	7.4	23.9	111.3	111.3
2022-23 Estimated	80.0	7.4	20.0	107.4	175.2 ⁽³⁾
2023-24 Adopted Budget	80.0	7.4	20.0	107.4	[N/A]

⁽¹⁾ Cash basis. Does not include Workers’ Compensation claims paid by the City; see Table 6. Also, does not include claims paid in connection with Fair Labor Standards Act disputes and other labor matters, which are paid out of departmental operating budgets.

⁽²⁾ Excludes appropriation in the UB as a “Reserve for Extraordinary Liabilities.”

⁽³⁾ Increase from budget due to various liability payments, the largest of which is a \$57.5 million payment from the Sewer Construction and Maintenance Fund, relating to the class action lawsuit, *Hoffman et al. v. City of Los Angeles*. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIII C and XIII D of the California Constitution – Proposition 218.”

Source: City of Los Angeles, Office of the City Administrative Officer.

The City’s ACFR provides estimates of potential liabilities. Under GAAP, the City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The City’s ACFR discloses and takes into account estimates of such potential liabilities. As reported in the City’s ACFR (Note 4 (N): Risk Management—Estimated Claims and Judgments Payable), the City, as of June 30, 2022, estimated the amount of tort and non-tort liabilities that were “probable” of occurring at approximately \$708.9 million. In addition, and as reported in the City’s ACFR, the City Attorney, as of June 30, 2022, estimated that certain other pending lawsuits and claims have a “reasonable possibility” of resulting in additional liability totaling \$63.0 million. See “LITIGATION” for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

The City is only aware of minimal existing claims against the City as a result of the enactment of Assembly Bill 218, which became effective in January 2020, and Assembly Bill 2777, which became effective in January 2023. These laws allow alleged victims of sexual abuse to bring claims which previously had been barred by the applicable statute of limitations. There can be no assurances that additional claims will not be brought against the City as a result of these laws.

Also, as of June 30, 2022, the City estimated its workers’ compensation liability at \$2.0 billion; see Table 6 for recent and budgeted expenditures for this liability.

The City generally does not maintain earthquake insurance coverage. Instead, the City relies on its general reserves as well as the expectation that funds will be available from FEMA to manage earthquake and other major natural disaster risk. The City has received a waiver from the requirement under federal law that it

acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no guarantee that sufficient City reserves or FEMA assistance would be available in the event of a major natural disaster to adequately address the emergency and maintain the cash flow needed to pay City obligations. See “OTHER MATTERS—Seismic Considerations.”

In addition, the City does not maintain insurance for cybersecurity risk. See “OTHER MATTERS—Cybersecurity.”

Workers’ Compensation, Employee Health Care and Other Human Resources Benefits

The City appropriates funds to a Human Resources Benefits Fund to account for various programs to provide benefits to its employees, in addition to retirement and other post-employment benefits, as described below. Total benefits expenditures are shown in the following table.

Table 6
HUMAN RESOURCES BENEFITS⁽¹⁾
(\$ in thousands)

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>Estimated 2022-23</i>	<i>Adopted Budget 2023-24</i>
Civilian FLEX Program ⁽²⁾	\$ 291,509	\$ 308,627	\$ 292,711	\$ 306,756	\$ 338,125
Contractual Services	23,430	22,494	24,191	32,681	33,965
Employee Assistance Program	1,369	1,915	1,675	1,828	1,844
Fire Health and Welfare Program	58,938	61,875	62,066	66,456	69,730
Police Health and Welfare Program	157,451	158,385	158,007	160,456	163,972
Supplemental Civilian Union Benefits	5,544	6,446	5,830	6,086	6,228
Unemployment Insurance	1,961	9,295	2,769	2,175	3,000
Workers’ Compensation/Rehabilitation	<u>203,356</u>	<u>215,915</u>	<u>219,801</u>	<u>239,432</u>	<u>245,000</u>
Total	\$ 743,558	\$ 784,951	\$ 767,052	\$ 815,870	\$ 861,864

⁽¹⁾ Cash basis.

⁽²⁾ Reflects all civilian health, dental, union supplemental benefit and life insurance subsidies.

Source: City of Los Angeles, Office of the City Administrative Officer.

Labor Relations

In 1971, the City adopted an employee relations ordinance (Los Angeles Administrative Code, Division 4, Chapter 8, Section 4.800 *et seq.*) under the provisions of the Meyers-Milias-Brown Act (“MMBA”). Under the MMBA, management must bargain with recognized employee organizations on terms and conditions of employment, including wages, hours, and other working conditions. The CAO is the formal management representative on employee relations matters, representing the Mayor and Council in negotiations with recognized employee organizations. The CAO receives direction from the Executive Employee Relations Committee, consisting of five *ex officio* members, namely the Mayor, the President of the Council, the President Pro-Tempore of the Council, the chairperson of the Council’s Budget, Finance and Innovation Committee, and the chairperson of the Council’s Personnel, Audits and Hiring Committee. Formal Memoranda of Understanding (“MOUs”) are negotiated between the City and recognized employee organizations, which may represent one or more formal bargaining units. Negotiated MOUs incorporate wages and working conditions. For expired MOUs, terms and conditions remain in effect until a successor MOU is successfully negotiated or impasse proceedings conclude, unless a provision has a specific termination date.

There are 45 individual MOUs, affecting about 34,800 full-time and 7,800 part-time City employees (including employees of the Airport and Harbor departments, but excluding DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 full-time and 900 part-time employees are not represented. See “RETIREMENT AND PENSION SYSTEMS.”

To address the projected budget gap in Fiscal Year 2020-21 occasioned by the COVID-19 pandemic, the City renegotiated terms of MOUs with the majority of its labor organizations whose salaries most significantly impacted the City's General Fund. The renegotiated terms focused primarily on deferring previously scheduled wage increases. Following the receipt of federal COVID-19 funding, the MOUs were reopened. The Fiscal Year 2022-23 Adopted Budget allocated \$93 million in the UB in connection with such renegotiations. Due to high vacancy rates in many departments, most of the Fiscal Year 2022-23 costs were absorbed out of existing departmental budgets and as a result, the Fiscal Year 2023-24 Adopted Budget reappropriates \$73 million of this amount to Fiscal Year 2023-24 to partially address unbudgeted compensation adjustments that may be negotiated to go into effect during Fiscal Year 2023-24.

[All of the current MOUs expire in 2023 or 2024; the Fiscal Year 2023-24 Adopted Budget and the Outlook do not include potential increased costs associated with the successor agreements with the exception of the \$73 million in the UB that will be reappropriated to Fiscal Year 2023-24. Furthermore, since staffing at most City departments is currently below the levels contemplated in the Fiscal Year 2023-34 Adopted Budget, the City anticipates that a portion of any increased costs resulting from the renegotiated MOUs will be absorbed by existing departmental budgets. The City is currently in negotiations. There can be no assurances that actual cost impacts will not exceed the ability of departments to absorb costs and amounts available in the UB. As a final option, the City would access its General Fund reserves during Fiscal Year 2023-24 for costs that it cannot absorb through these other means.]

For a number of years, the City has accumulated liability for banked Police Department ("LAPD") uncompensated overtime, valued at approximately [\$133.0 million as of August 12, 2023]. Those hours that are not used as leave become more expensive over time due to promotions and other salary increases of applicable LAPD personnel.

The following table summarizes the membership and status of the largest unions and employee associations.

**[Table 7]
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS**

<i>Organization</i>	<i>Employees Represented⁽¹⁾</i>	<i>Number of Bargaining Units</i>	<i>Status of Memorandum of Understanding</i>	<i>Base Wage Adjustments⁽³⁾</i>
Los Angeles Police Protective League ⁽²⁾	8,928	1	Contract expires 6/30/23	4.5% effective 9/1/19 1.5% effective 7/5/20 3.25% effective 1/17/21 3% effective 1/1/23 ⁽⁴⁾ 1.5% effective 1/1/23 ⁽⁴⁾
United Firefighters of Los Angeles City	3,363	1	Contract expires 6/29/24	2% effective 7/7/19 4.75% effective 7/5/20 4.5% effective 1/1/23 3% effective 1/14/24 ⁽⁵⁾
Coalition of LA City Unions	23,160	21	Contracts expire 12/30/23	3.0% effective 1/1/23 5% cash payment 7/26/23
Engineers and Architects Association	5,548	4	Contracts expire 12/31/23	2.75% effective 1/19/20 2% effective 6/19/22 2% effective 1/29/23 1.5% effective 6/18/23 3% effective 7/2/23 ⁽⁵⁾
Municipal Construction Inspectors Association	856	1	Contract expires 12/30/23	2% effective 1/19/20 2.75% effective 7/5/20 2% effective 7/3/22 2% effective 1/29/23 3% effective 7/2/23 ⁽⁵⁾

⁽¹⁾ Total full-time and part-time employees in all departments except DWP, as of May 8, 2023.

⁽²⁾ Negotiations with the Los Angeles Police Protective League are underway. If no agreement is reached by June 30, 2023, provisions without a specific ending date shall remain in full force and effect during the meet and confer process leading to a successor agreement.

⁽³⁾ Adjustments for the term covered by the specific MOU.

⁽⁴⁾ The renegotiated MOU deferred two salary increases to the same date. Both increases are shown here separately.

⁽⁵⁾ Increase resulting from the salary reopener discussions that concluded in late May 2022.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows total authorized City staffing for all departments except Airports, Harbor, DWP, LACERS, and LAFPP. The LAPD represents the single largest department in terms of authorized positions. The 2023-24 Adopted Budget authorized the hiring of 980 police officers. Given the challenging recruitment environment, the Mayor and Council appropriated funding for 800 police officers in the LAPD's budget and additional funding for 180 police officers in the Unappropriated Balance.

**Table 8
AUTHORIZED CITY STAFFING⁽¹⁾**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Adopted Budget 2023-24</i>
Sworn					
Police	10,552	10,554	10,557	10,557	10,597
Fire	<u>3,382</u>	<u>3,416</u>	<u>3,424</u>	<u>3,510</u>	<u>3,520</u>
Subtotal Sworn	13,934	13,970	13,981	14,067	14,117
Civilian					
Police	3,454	3,451	3,187	3,292	3,321
Fire	406	415	380	392	415
All Others	<u>16,378</u>	<u>16,795</u>	<u>16,014</u>	<u>16,670</u>	<u>17,353</u>
Subtotal Civilian	20,238	20,661	19,581	20,354	21,089
Total	34,172	34,631	33,562	34,421	35,206

⁽¹⁾ As authorized in the Adopted Budget. Includes permanent (“regular”) positions and excludes temporary personnel (also referred to as “resolution authority positions”), which total 3,568 for Fiscal Year 2023-24. Also excludes personnel of the departments of Airports, Harbor, DWP, LACERS and LAFPP.
Source: City of Los Angeles, Office of the City Administrative Officer.

City Treasury Investment Practices and Policies

The Director of Finance, serving in the capacity of City Treasurer, invests available cash for the City, including that of the proprietary departments, as part of a pooled investment program that combines general receipts with special funds for investment purposes and allocates interest earnings on a pro-rata basis when the interest is earned. The Treasurer also maintains a limited number of special pools established for specific purposes.

The City’s General Pool is further divided into a Core Pool, a Reserve Pool, and an Extended Reserve Pool. The core or liquidity portion is targeted at the City’s net liquidity requirements for six months. All investments in the core section of the portfolio have maturities of one year or less. Most of the balance of the General Pool that is not required for the City’s six-month liquidity requirement is invested in the Reserve Portfolio. The Reserve Portfolio holds investments ranging from one to five years. In January 2020, the City created an Extended Reserve Portfolio, which pursues a primary investment objective of providing an enhancement of overall interest earnings with longer-term investments. Holdings in that portfolio consist of U.S. Treasury and Agency bonds only, with a maximum maturity of ten years.

**Table 9
POOLED INVESTMENTS
Portfolio Characteristics
As of May 31, 2023**

<i>Portfolio Funds</i>	<i>Amount of Funds at Market Value</i>	<i>Percent of Investment Pool</i>	<i>Effective Yield</i>	<i>Average Weighted Maturity</i>
Core Portfolio	\$ 6,694,666,157	42.4%	4.18%	84 Days
Reserve Portfolio	6,676,261,849	42.3	2.06	2.9 Years
Extended Reserve Portfolio	<u>2,412,255,113</u>	<u>15.3</u>	<u>2.02</u>	<u>7.0 Years</u>
Total Investment Pool	\$ 15,783,183,119	100.0%	2.95%	2.4 Years

Source: City of Los Angeles, City Treasurer.

The following summarizes the City’s pooled investment program as of its most recent investment report.

Table 10
POOLED INVESTMENT FUND
GENERAL POOL
As of May 31, 2023

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	<i>Percent of Total Funds (Market Value)</i>	<i>Average Days</i>
Bank Deposits ⁽¹⁾	\$ 82,489,117	\$ 82,489,117	0.52%	0
Money Market Funds	92,275,019	92,275,019	0.58	0
LAIIF (State of California)	<u>4,082,504</u>	<u>4,082,504</u>	<u>0.03</u>	<u>0</u>
Subtotal: Cash and Overnight Investments	\$ 178,846,640	\$ 178,846,640	1.13%	0
Commercial Paper	\$ 2,266,156,000	\$ 2,257,172,169	14.30%	28
Corporate Notes	282,500,000	277,086,525	1.76	206
U.S. Agencies/Munis/Supras	1,768,414,000	1,759,589,989	11.15	44
U.S. Treasuries	<u>2,254,001,000</u>	<u>2,221,970,835</u>	<u>14.08</u>	<u>164</u>
Subtotal: Pooled Investments	\$ 6,571,071,000	\$ 6,515,819,517	41.28%	86
Total Short-Term Core Portfolio	\$ 6,749,917,640	\$ 6,694,666,157	42.42%	84
Money Market Funds	\$ 750,050	\$ 750,500	0.00%	0
Corporate Notes	1,510,500,000	1,446,708,753	9.17	981
Asset-Backed Securities	322,670,350	312,550,287	1.98	1,227
U.S. Agencies/Munis/Supras	691,540,000	648,154,441	4.11	1,257
U.S. Treasuries	<u>7,205,000,000</u>	<u>6,680,353,430</u>	<u>42.33</u>	<u>1,585</u>
Total Long-Term Reserve Portfolios	\$ 9,730,460,400	\$ 9,088,516,962	57.58%	1,453
Total Cash and Pooled Investments	\$ 16,480,378,040	\$ 15,783,183,119	100.00%	872

⁽¹⁾ Collected balance for Wells Fargo and JPMorgan Chase Active Accounts.
Source: City of Los Angeles, City Treasurer.

The City’s treasury operations are managed in compliance with the California Government Code and according to the City’s Statement of Investment Policy (the “Investment Policy”), which sets forth liquidity parameters, maximum maturities and permitted investment vehicles, which include U.S. Treasuries, U.S. Government Agencies and Corporate Notes. Additionally, daily investment activity is reviewed independently by an outside investment advisor to ensure that all security transactions are in accordance with all policies as delineated above.

The Treasurer does not invest in range notes, inverse floating rate investments, or mortgage-derived interest or principal-only strips, among other instruments prohibited by State law and the City’s Investment Policy.

The Investment Policy permits the Treasurer to engage custodial banks to enter into short-term arrangements to loan securities to various brokers, the fees from which increase investment earning. Cash and/or securities (U.S. Treasuries, U.S. Government Agencies and Corporate Notes) collateralize these lending arrangements, the total value of which is at least 102 percent of the market value of securities loaned out. The securities lending program is limited to a maximum of 20 percent of the market value of the Treasurer’s pool by the City’s Investment Policy and the California Government Code.

Capital Program

The City adopted a revised Capital and Technology Improvement Policy (the “Capital Policy”) in May 2020 to help guide the City’s process for planning, identifying, evaluating, and prioritizing funding for new capital and technology projects. Among other things, the new Capital Policy updated an annual minimum investment target of 1.5 percent of General Fund revenue for the City’s capital and technology improvements, starting in Fiscal Year 2021-22.

Consistent with the Capital Policy, on August 31, 2022, the CAO released an updated Five-Year Capital and Technology Improvement Program (“CTIP”). The CTIP is divided into three major improvement types: municipal facilities, physical plant and technology. The municipal facilities components include administrative buildings and other facilities; public safety facilities for the animal services, fire and police departments; recreational and cultural facilities; the Convention Center; and various seismic, yard, shop, and bridge improvements. Physical plant components include wastewater (referred to as clean water), stormwater (referred to as watershed management), streets and other public rights-of-way, street lighting, and transportation projects. Technology components include city-wide infrastructure, major projects, and system replacements costing \$1 million or more. The CTIP does not include projects that are funded and are under the control of the three proprietary departments, or projects related to housing and solid waste operations.

The CTIP also identifies sources of funding for these projects, indicating whether the projects are going to be financed by the General Fund, MICLA Lease Revenue Bonds (the debt service for which is usually paid from General Fund appropriations) or by one or more special funds. The CTIP includes the approved funding for Fiscal Year 2022-23 and anticipated funding amounts for Fiscal Years 2023-24 through 2026-27, which will be considered for appropriation through the City’s budget and appropriation processes in the future.

In accordance with the Capital Policy, projects are funded based on five prioritization criteria: Risk to Health and Safety; Compliance with Legal, Regulatory, or other policy Mandated Requirements; Resilience and Sustainability; Impact to City Operations, Asset Condition, Annual Recurring Costs and Asset Longevity; and Equitable Community Investment and Economic Considerations. See also “OTHER MATTERS—Environmental and Social Considerations.

[The City expects to update the August 2022 CTIP in September 2023.] The following tables summarize the CTIP by project type and funding source, as of August 2022. The information in the tables has not been updated to reflect actual expenditures in Fiscal Year 2022-23. Actual Fiscal Year 2023-23 expenditures are estimated to be materially less than the amounts set forth in the tables for a variety of reasons, including reduced staffing levels at City departments as well as the overall challenging construction bidding environment.

Table 11
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY ASSET CATEGORIES

	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>Future Years</i>	<i>Total</i>
Municipal Facilities							
Deferred Maintenance	\$ 22,118,330	\$ 22,551,670	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000	\$ -	\$ 112,170,000
Office Development and Capital Program	18,502,819	47,825,000	37,875,000	28,375,000	27,675,000	-	160,252,819
Public Safety Facilities and Security Upgrades	11,765,000	6,111,250	26,930,000	3,530,000	3,530,000	-	51,866,250
Recreation and Cultural Facilities	58,640,356	222,261,299	82,407,692	94,566,806	91,887,299	-	549,763,452
Seismic & Bridge Improvements, Yards and Shops	42,767,912	66,347,829	33,081,052	29,049,641	29,681,164	28,390,582	229,318,180
Los Angeles Convention Center	21,755,000	5,010,000	3,390,000	2,350,000	1,370,000	-	33,875,000
Other	13,966,121	8,177,535	330,487	330,487	330,487	-	23,135,117
Subtotal	\$ 189,515,538	\$ 378,284,583	\$ 206,514,231	\$ 180,701,934	\$ 176,973,950	\$ 28,390,582	\$ 1,160,380,818
Physical Plant							
Clean Water Projects	\$ 305,485,431	\$ 461,867,897	\$ 438,309,221	\$ 294,571,005	\$ 264,634,825	\$ 1,016,428,514	\$ 2,781,296,893
Watershed Management Projects	37,470,985	68,418,682	43,810,180	24,584,341	16,636,700	-	190,920,888
Street Projects	473,314,713	409,932,767	395,890,947	307,526,137	721,344,984	-	2,308,009,548
Street Lighting Projects	5,660,000	975,000	925,000	925,000	925,000	-	9,410,000
Subtotal	\$ 821,931,129	\$ 941,194,346	\$ 878,935,348	\$ 627,606,483	\$ 1,003,541,509	\$ 1,016,428,514	\$ 5,289,637,329
Technology							
Citywide Infrastructure	\$ 5,854,026	\$ 23,045,316	\$ 18,860,009	\$ 38,988,605	\$ 17,729,502	\$ 14,350,000	\$ 118,827,458
Major Projects and System Replacements	39,468,866	43,812,167	32,748,880	19,215,636	9,181,736	12,162,964	156,590,249
Subtotal	\$45,322,892	\$66,857,493	\$51,608,889	\$58,204,241	\$26,911,238	\$26,512,964	\$275,417,707
TOTAL - ALL PROJECTS	\$ 1,056,769,559	\$ 1,386,336,412	\$ 1,137,058,468	\$ 866,512,658	\$ 1,207,426,697	\$ 1,071,332,060	\$ 6,725,435,854

Source: City of Los Angeles, Capital and Technology Improvement Program, 2022-23 to 2026-27, released August 2022.

Table 12
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY FUNDING SOURCE

	<i>2022-23</i>	<i>Future Cost</i>	<i>Total</i>
Municipal Facilities			
General Fund	\$ 30,593,150	\$ 255,736,182	\$ 286,329,332
Lease Revenue Bonds	125,094,559	558,546,786	683,641,345
Special Funds	<u>33,827,829</u>	<u>156,582,312</u>	<u>190,410,141</u>
Subtotal	\$ 189,515,538	\$ 970,865,280	\$ 1,160,380,818
Physical Plant			
General Fund	\$ 71,086,561	\$ 212,520,988	\$ 283,607,549
Lease Revenue Bonds	-	13,431,282	13,431,282
Special Funds ⁽¹⁾	<u>750,844,568</u>	<u>4,241,753,930</u>	<u>4,992,598,498</u>
Subtotal	\$ 821,931,129	\$ 4,467,706,200	\$ 5,289,637,329
Technology			
General Fund	\$ 25,065,243	\$ 133,294,815	\$ 158,360,058
Lease Revenue Bonds	5,200,000	-	5,200,000
Special Funds	<u>15,057,649</u>	<u>96,800,000</u>	<u>111,857,649</u>
Subtotal	\$ 45,322,892	\$ 230,094,815	\$ 275,417,707
All Programs			
General Fund	\$ 126,744,954	\$ 601,551,985	\$ 728,296,939
Lease Revenue Bonds	130,294,559	571,978,068	702,272,627
Special Funds	<u>799,730,046</u>	<u>4,495,136,242</u>	<u>5,294,866,288</u>
Total	\$ 1,056,769,559	\$ 5,668,666,295	\$ 6,725,435,854

⁽¹⁾ Includes the proceeds of wastewater revenue bonds and general obligation bonds.

Source: City of Los Angeles, Capital and Technology Improvement Program, 2022-23 to 2026-27, released August 2022.

A number of large infrastructure projects the City is considering could result in major long-term commitments of funds that have not yet been identified and which are not included in the tables above. One major capital expenditure could include development of approximately 3.5 million square feet of housing and approximately 1.5 million square feet of City office space within the City’s civic center. The potential civic center masterplan project is currently in the request for proposals process. An additional \$2 billion in recreation and park facility needs have also been identified. Physical plant improvements could include more than an additional \$5 billion for street and sidewalk (including access and curb ramp) repairs. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION—Certain Significant Challenges – Street and Sidewalks Maintenance; Americans With Disabilities Act Compliance.”

The City is also exposed to major costs associated with compliance with the Clean Water Act (“CWA”), which regulates the discharges of pollutants by establishing water quality standards. The City is responsible for helping to ensure that up to 192 pollutants in five bodies of water do not exceed certain maximum levels. The City’s share of the costs of projects required to meet these requirements could total \$8 billion through 2037. See “OTHER MATTERS—Clean Water Compliance.”

The City has also sought funding from the Army Corps of Engineers for restoration of the Los Angeles River, which could cost in excess of \$1.5 billion and require substantial matching funds from the City.

MAJOR GENERAL FUND REVENUE SOURCES

The following is a discussion of the City’s principal General Fund revenue sources. The table below presents actual General Fund revenues for Fiscal Years 2019-20, 2020-21, and 2021-22, estimated revenues for Fiscal Year 2022-23 and budgeted revenues for Fiscal Year 2023-24.

Table 13
GENERAL FUND RECEIPTS⁽¹⁾
(\$ in thousands)

	2019-20	2020-21	2021-22	[Estimated 2022-23]	Adopted Budget 2023-24	% of Budget 2023-24
Property Tax	\$2,132,308	\$2,261,356	\$2,323,454	\$2,549,638	\$2,640,250	33.4%
Property Tax Increment (Former CRA/LA)	84,054	128,042	120,479	131,103	143,730	1.8
Departmental Receipts	1,198,296	1,257,516	1,154,263	1,253,642	1,363,324	17.2
Business Tax	655,849	692,386	757,601	810,000	847,200	10.7
Sales Tax	556,237	524,618	687,299	718,655	724,230	9.2
Utility Users Tax	638,379	615,238	638,151	705,160	650,490	8.2
Documentary Transfer Tax	205,473	235,922	308,805	224,725	198,610	2.5
Transient Occupancy Tax	253,539	110,427	239,124	307,810	342,430	4.3
Power Revenue Transfer	229,913	218,355	225,015	232,043	236,502	3.0
Parking Fines	114,865	93,347	110,273	107,000	115,000	1.5
Grants Receipts	18,398	43,690 ⁽²⁾	40,527 ⁽³⁾	129,275 ⁽⁴⁾	109,193 ⁽⁵⁾	1.4
Franchise Income ⁽⁶⁾	84,020	84,303	105,971	152,445	137,810	1.7
Parking Occupancy Tax	106,979	58,844	101,055	123,000	129,195	1.6
Interest Income	46,429	27,112	28,514	53,000	77,000	1.0
Special Parking Revenue Transfer	31,294	-	8,477	30,426	32,388	0.4
Tobacco Settlement	10,178	11,489	11,810	10,710	10,710	0.1
Residential Development Tax	4,821	4,392	4,866	5,070	4,910	0.1
State Motor Vehicle License Fees	3,198	2,942	4,532	3,994	3,994	0.1
American Rescue Plan Transfer	-	639,450	639,483	-	-	-
Subtotal General Fund Revenues	<u>\$6,374,231</u>	<u>\$7,009,427</u>	<u>\$7,509,700</u>	<u>\$7,547,695</u>	<u>\$7,766,966</u>	
Reserve Fund Transfer	<u>195,465</u>	<u>-</u>	<u>85,090</u>	<u>16,648</u>	<u>136,370</u>	1.7%
Total General Fund	<u>\$6,569,696</u>	<u>\$7,009,427</u>	<u>\$7,594,790</u>	<u>\$7,564,344</u>	<u>\$7,903,336</u>	

(1) Cash basis. Totals may not add due to total independent rounding.
(2) Includes \$30.7 million in FEMA reimbursement.
(3) Includes \$29.4 million in FEMA reimbursement.
(4) Includes \$110.1 million in FEMA reimbursement.
(5) Includes \$80.4 million in FEMA reimbursement.
(6) See “LITIGATION—*Apartment Owners Association of Ca. v. City of Los Angeles.*”
Source: City of Los Angeles, Office of the City Administrative Officer.

Both the Fiscal Year 2020-21 and the Fiscal Year 2021-22 actual revenues reflect ARPA funding. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION” and “BUDGET AND FINANCIAL OPERATIONS” for a discussion of the appropriation of these funds to the General Fund.

For purposes of this Appendix A and in the City’s various budget documents, revenues are reported on a “cash” basis, meaning receipts are recognized when cash is received. This method differs from GAAP, which recognizes revenues on a “modified accrual” basis. The City’s ACFR includes reporting of revenues based on GAAP. See the City’s ACFR Note 1-D for a discussion of the basis for reporting.

Property Tax

Property taxes, including various State replacements and the reallocation of tax increment from the dissolution of redevelopment agencies, represent the largest source of General Fund revenues.

The assessed valuation of property is established by the County Assessor as of each January 1, except for public utility property, which is assessed by the State Board of Equalization. Real property is reassessed at

market value on the date property changes ownership (with limited exceptions) or upon completion of new construction. Upon such reassessment, a supplemental tax is collected for the remainder of the tax year. Under the State Constitution and legislation, *ad valorem* taxes on real property (other than taxes relating to certain voter-approved indebtedness) are limited as described under “LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII A of the California Constitution – Proposition 13.”

A property owner may apply for a reduction of the property tax assessment for that owner’s property (known as a “Proposition 8” appeal). The County Assessor may also reduce valuations based on current economic value, without a taxpayer appeal.

The State Constitution and statutes provide exemption from reassessment of property upon certain changes of ownership, such as between spouses or certain intergenerational transfers, and from *ad valorem* property taxation for certain classes of property, such as local governments, churches, colleges, nonprofit hospitals, and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at \$7,000 of full value of owner-occupied dwellings and 100 percent of business inventories. Revenue losses to the City from the homeowner’s exemption are replaced by the State.

The County collects the *ad valorem* taxes. Taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The County deducts the pro-rata cost of collecting property taxes from the City’s allocation.

All taxable real and personal property is classified as either “secured” or “unsecured.” The “secured roll” contains real property (land and improvements), certain taxable personal property (such as business equipment on business-owned property), and possessory interests (a leasehold on otherwise exempt government property). The “unsecured roll” contains all other taxable property, the majority of which is business equipment on leased or rented premises, other taxable personal property such as boats and aircraft, and delinquent possessory interests. The balance of personal property has been exempted by State law from property taxes.

Property taxes on the secured roll are due in two installments, which become delinquent after December 10 and April 10, respectively. A 10 percent penalty is added to delinquent taxes. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, title to the property passes to the State and is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent on August 31. A 10 percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5 percent per month begins to accrue on November 1. The taxing authority has several ways of collecting delinquent unsecured personal property taxes.

The County has not elected to implement the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly referred to as the “Teeter Plan”), whereby counties may opt to remit to local agencies the amount of uncollected taxes in exchange for retaining any subsequent delinquent payments, penalties and interest that would have been due to the local agency. As such, the City’s property tax revenues reflect both reduced property tax revenue from uncollected taxes and increased revenue from the subsequent receipt of delinquent taxes, interest and penalty payments.

Recent assessed valuations by revenue category appear in the table below.

Table 14
ASSESSED VALUATION⁽¹⁾

	2019	2020	2021	2022	2023
Locally Assessed					
Land	\$ 352,506,933,714	\$ 375,613,820,236	\$ 394,598,572,212	\$ 424,716,322,981	\$ 452,116,956,465
Improvements	299,590,583,910	319,689,264,560	332,201,374,517	349,641,071,472	367,953,565,186
Personal Property	4,020,257,586	3,997,131,756	4,019,429,073	3,911,428,589	4,893,738,271
Less: Exemptions ⁽²⁾	<u>26,571,608,102</u>	<u>26,822,209,552</u>	<u>29,365,270,443</u>	<u>27,781,247,158</u>	<u>31,166,029,937</u>
Total Locally Assessed	\$ 629,546,167,108	\$ 672,478,007,000	\$ 701,454,105,359	\$ 750,487,575,884	\$ 793,798,229,985
Public Utilities ⁽³⁾	42,153,347	66,084,991	73,778,428	74,459,382	74,232,347
Unsecured Valuations	<u>23,370,052,850</u>	<u>23,469,028,925</u>	<u>22,238,902,102</u>	<u>23,901,652,243</u>	<u>25,900,243,016</u>
Total Revenue-Producing Valuations	\$ 652,958,373,305	\$ 696,013,120,916	\$ 723,766,785,889	\$ 774,463,687,509	\$ 819,772,705,348
Change from Prior Year	6.8%	6.6%	4.0%	7.0%	5.9%

⁽¹⁾ As of January 1 of each year. These values apply to taxes levied in the fiscal year beginning the subsequent July 1. The information above is provided by the County in August of the relevant fiscal year.

⁽²⁾ Exclusive of the Homeowner Exemption, which is reimbursed by the State.

⁽³⁾ Assessed by the State Board of Equalization.

Source: County of Los Angeles, Office of the Auditor-Controller, Assessed Valuations Reports.

Prior to Fiscal Year 2010-11, a portion of the property taxes collected in the City were allocated to redevelopment project areas as tax increment. As part of the State’s Fiscal Year 2011-12 Budget, legislation was approved to eliminate redevelopment agencies. While a portion of property tax increment revenue is still allocated to pay previously incurred enforceable obligations, a portion of the funds previously allocated to the City’s Community Redevelopment Agency, including the proceeds from the sale of property, is now allocated to overlapping taxing jurisdictions, including the City, based on a legislatively mandated process. Because the proceeds from property sales were difficult to predict, the City has chosen to report property tax increment revenue from the former Community Redevelopment Agency separately from its other property tax revenues, as reported in the “General Fund Receipts” table, above.

Property taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Over the years, State budget pressures have resulted in various reallocations of property tax revenues, including transfers to school and community college districts by means of an Educational Revenue Enhancement Fund, the dissolution of redevelopment, the “Triple Flip” of property tax and sales tax receipts to secure certain State bonds (which ended in Fiscal Year 2016-17), and the “backfill” of reallocated Vehicle License Fee revenues with an increased allocation of property taxes. While limits on such reallocations have been instituted, no assurance can be given that property tax reallocations will not occur in the future. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.”

The table below summarizes the City’s receipt of the basic 1 percent property tax and those reallocations received as property tax. This table excludes property tax attributable to the dissolution of the Los Angeles Community Redevelopment Agency and the *ad valorem* tax levied to pay general obligation bond debt service; the latter is not reported in the General Fund. Variance between the rate of change in property tax receipts summarized in the table below and the rate of change in assessed valuation summarized above may be attributed to the timing of the County’s tax remittances to the City—as the property tax remittance period does not align with the City’s fiscal year, and to property tax revenue that is realized outside of the annual billing cycle such as redemptions, supplemental bills, refunds and other adjustments.

Table 15
PROPERTY TAX - ALL SOURCES⁽¹⁾
Annual Property Tax by Account
(\$ in thousands)

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>[Estimated 2022-23]</i>	<i>Adopted Budget 2023-24</i>
Secured	\$ 1,528,635	\$ 1,612,184	\$ 1,645,439	\$ 1,824,288	\$ 1,887,660
Unsecured	59,230	57,782	60,641	65,648	67,320
Homeowner Exemption	7,941	7,771	7,776	7,712	7,640
Supplemental	39,039	40,469	49,783	52,610	48,180
Redemptions	21,375	31,241	31,351	34,720	34,720
County Admin Charges	(21,153)	(22,723)	(22,868)	(23,211)	(24,210)
Refunds	(19,547)	(15,701)	(15,872)	(20,940)	(22,140)
Adjustments	911	56	(1,312)	214	-
Miscellaneous Property	<u>10,167</u>	<u>11,221</u>	<u>7,967</u>	<u>8,783</u>	<u>9,480</u>
1% Property Tax	\$ 1,626,598	\$ 1,722,300	\$ 1,762,904	\$ 1,949,823	\$ 2,008,650
Percent Change ⁽²⁾	5.3%	5.9%	2.4%	10.6%	3.0%
State Vehicle License Fee	<u>505,710</u>	<u>539,055</u>	<u>560,550</u>	<u>599,815</u>	<u>631,600</u>
Replacement					
Property Tax All Sources	\$ 2,132,308	\$ 2,261,356	\$ 2,323,454	\$ 2,549,638	\$ 2,640,250
Percent Change	5.7%	6.1%	2.7%	9.7%	3.6%

⁽¹⁾ Cash basis.

⁽²⁾ Note that changes in 1% Property Tax receipts do not directly correspond to changes in assessed valuation, as it includes prior year delinquencies and penalties, among other adjustments.

Source: City of Los Angeles, Office of the City Administrative Officer.

A list of the 20 largest property taxpayers, based on secured assessed valuations within the City, for Fiscal Year 2022-23, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

Table 16
CITY OF LOS ANGELES
TWENTY LARGEST 2022-23 SECURED PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Secured Assessed Valuation 2022-23</i>	<i>Percent of Secured AV⁽¹⁾</i>
Douglas Emmett LLC	Office Building	\$ 2,694,073,408	0.36%
Essex Portfolio LP	Apartments	1,496,194,153	0.20
Next Century Partners LLC	Hotel	1,125,559,512	0.15
Century City Mall LLC	Shopping Center	1,112,961,754	0.15
FSP South Flower Street	Office Building	984,033,481	0.13
CJDB LLC	Shopping Center	948,049,199	0.13
Greenland LA Metropolis	Apartments with Retail	944,717,759	0.13
Anheuser Busch Commercial	Industrial	884,416,862	0.12
Hanjin International Corp	Hotel	878,077,732	0.12
Rochelle H. Sterling	Apartments	844,810,665	0.11
Onni Wilshire Courtyard LLC	Office Building	810,563,773	0.11
Valero Energy Corporation	Petroleum	755,175,124	0.10
One Hundred Towers LLC	Office Building	701,264,997	0.09
Trizec 333 LA LLC	Office Building	687,273,218	0.09
Maguire Partners 355 S. Grand LLC	Office Building	642,741,850	0.09
BRE HH Property Owner LLC	Office Building	637,804,909	0.08
Marathon Petroleum	Petroleum	630,940,359	0.08
APM Terminals Pacific Ltd.	Terminal Operations	614,119,000	0.08
Olympic and Georgia Partners LLC	Hotel	612,072,446	0.08
Tishman Speyer Archstone Smith	Apartments	<u>611,707,343</u>	<u>0.08</u>
TOTAL		\$ 18,616,557,544	2.48%

⁽¹⁾ Based on 2022-23 Local Secured Assessed Valuation of \$750,487,575,884. Table does not reflect any changes in ownership since publication of 2022-23 assessed valuations. See “Potential Impact of Increased Office Vacancies” below. Total does not add due to rounding.

Source: California Municipal Statistics, Inc.

Potential Impacts of Increased Office Vacancies. The COVID-19 pandemic resulted in significant changes to the way people work. More employees are working from home at least a portion of the time, resulting in reduced requirements for commercial office space. As a result, vacancies in commercial office buildings in many major metropolitan areas, including Los Angeles, have increased, which may result in reduced rental rates and reduced market valuations of such property. There have been public reports of commercial office vacancies of 30 percent in downtown Los Angeles and 26 percent citywide. As another indicator of changing work patterns, the Los Angeles County Metropolitan Transportation Authority has seen a drop in average weekday boardings from approximately 1,195,000 in Fiscal Year 2018-19 (the last full Fiscal Year prior to the start of the COVID 19 pandemic) to approximately 805,000 in the first six months of Fiscal Year 2022-23. (Average weekday boardings were 787,000 for the first six months of Fiscal Year 2021-22.)

Commercial office space constitutes approximately 15.2 percent of the total assessed valuation of property in the City. (Residential properties constitute approximately 76.7 percent of the total assessed valuation.) While the City has no direct data on the current rate of vacancies in commercial office buildings or information regarding commercial office buildings that are under financial stress (including facing potential defaults on loans and foreclosures), there can be no assurances that the pressures facing owners of commercial office buildings will not result in significant declines in the value of such properties. Any such reductions in valuation would result in reduced property tax revenues with respect to such properties, and would likely result in reduced documentary transfer tax revenues with respect to such properties.

For additional information on the City’s property tax base, see “PART 2—HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION—Land Use” and “—Residential Value and Construction Activity.”

Utility Users Taxes

The City imposes taxes on users of natural gas, electricity and communication services within the City’s limits. The tax rate is 9 percent of utility charges on taxable communication services, 10 percent for natural gas and residential electricity, and 12.5 percent for commercial and industrial electricity.

Revenue estimates account for known impacts, such as DWP rate increases, and market indicators, such as natural gas futures. Utility users tax receipts can be variable, as they reflect not only power, gas and telephone rates, but also business activities and changing technologies. Both electricity and natural gas sales are sensitive to weather (warm winters and cool summers reduce demand).

Projected revenues for the electricity users tax are based on estimates provided by DWP. Communication users tax receipts have declined as consumers abandon landline communication and switch to cheaper voice and texting mobile communication plans.

The table below shows the actual and budgeted receipts from utility users taxes.

Table 17
UTILITY USERS TAX RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>[Estimated 2022-23]</i>	<i>Adopted Budget 2023-24</i>
Electric Users Tax	\$ 434,847	\$ 429,228	\$ 438,427	\$ 453,100	\$ 449,800
Gas Users Tax	73,837	72,752	88,539	145,160	99,610
Communications Users Tax	<u>129,695</u>	<u>113,259</u>	<u>111,185</u>	<u>106,900</u>	<u>101,080</u>
Total	\$ 638,379	\$ 615,238	\$ 638,151	\$ 705,160	\$ 650,490
Change from Prior Year	(0.9)%	(3.6)%	3.7%	10.5%	(7.8)%

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Departmental Receipts

This category of revenues includes reimbursements to the General Fund from various special revenue and enterprise funds of the City, and charges for special services performed by City departments. Reimbursements include the costs of police, fire and other City services to the Airports and Harbor departments, staff costs for the sewer construction and maintenance program, and reimbursements from the Los Angeles County Metropolitan Transportation Authority (“MTA”) for police services on its bus and rail lines pursuant to a contract between the MTA and the City. These revenues also include charges imposed as regulatory measures by City departments, and fees charged for paramedic ambulance services. In prior years, this revenue category was called “Licenses, Permits, Fees and Fines.”

In Fiscal Year 2023-24, departmental receipts are projected to increase by \$109.7 million or 8.7 percent over Fiscal Year 2022-23 estimates, which increase is primarily attributable to special funded related costs, MTA reimbursements, and gas tax reimbursements, and is partially offset by reductions in ambulance billings, one-time reimbursements, and solid waste fee reimbursements.

The table below shows receipts from departmental receipts.

Table 18
DEPARTMENTAL RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>[Estimated 2022-23]</i>	<i>Adopted Budget 2023-24</i>
Ambulance Fees	\$ 94,074	\$ 80,385	\$ 100,749	\$ 140,000	\$ 119,000
Services to Dept. of Airports	86,242	93,948	89,654	79,627	90,794
Services to Harbor Dept.	39,065	44,808	40,989	45,052	47,465
Services to DWP	32,473	14,490 ⁽²⁾	28,812	41,137	41,401
Services to Sewer Program	109,264	93,941	129,695	125,088	119,834
Solid Waste Fee ⁽³⁾	75,427	83,042	18,621	22,629	5,133
Gas Tax Reimbursements	21,769	41,963	26,384	28,220	42,356
Services to Stormwater Fund	4,732	3,037	-	-	2,185
Special Funds Related Costs	261,845	253,725	262,110	289,761	377,866
MTA Reimbursement	105,507	86,256	65,492	90,870	135,490
One Time Reimbursements	17,577	140,397 ⁽⁴⁾	38,617	22,719	5,333
Library Reimbursements	71,915	74,233	73,470	80,797	75,563
Recreation and Parks Reimbursements	49,287	52,813	64,725	64,725	64,725
State Mandated	7,172	3,806	3,907	3,234	2,750
Total Departmental Receipts	<u>221,947</u>	<u>190,672</u>	<u>211,038</u>	<u>219,783</u>	<u>233,429</u>
Total General Fund	\$ 1,198,296	\$ 1,257,516	\$1,154,263	\$1,253,642	\$1,363,324
Change from Prior Year	6.1%	4.9%	(8.2)%	8.6%	8.7%

⁽¹⁾ Cash basis. Totals may not add due to independent rounding.

⁽²⁾ Reflects a credit due to prior-year overpayments.

⁽³⁾ The solid waste fee does not generate full cost recovery. Accordingly, in Fiscal Years 2021-22, 2022-23, and 2023-24 the General Fund only receives partial reimbursements from the Bureau of Sanitation for overhead costs.

⁽⁴⁾ Includes \$125 million from the Coronavirus Aid, Relief, and Economic Security Act (also known as the CARES Act) allocated towards reimbursement for related expenses in 2020-21.

Source: City of Los Angeles, Office of the City Administrative Officer.

Business Tax

The business tax is imposed on persons engaged in a business within the City. The tax rate formula, which is established by ordinance, varies based upon the type of business.

In March 2017, voters approved City Measure M, which approved the cultivation and sale of recreational cannabis within the City, enables the formation of cannabis policy and regulation, decreases the business tax paid by medical cannabis businesses and implements a new business tax on recreational cannabis businesses. The Fiscal Year 2023-24 Adopted Budget includes cannabis business tax revenue projected at \$110 million, representing 13.0 percent of business tax revenue.

The table below shows receipts from business tax.

Table 19
BUSINESS TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$655,849	8.7%
2020-21	692,386	5.6
2021-22	757,601	9.4
[2022-23 Estimated	810,000	6.9]
2023-24 Adopted Budget	847,200	4.6

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Sales Tax

Sales and use taxes are collected on the total retail price of tangible personal property sold, unless specifically exempted. Included in the current County-wide tax rate is a sales tax collected by the State on behalf of cities (or, for unincorporated areas, on behalf of counties). The current local tax rate is 1 percent. Allocation of the 1 percent local component (often referred to as the “Bradley-Burns Sales Tax”) is on the basis of “situs,” or the point of sale. Additional sales taxes can be collected based on local voter approval. Included in the current County-wide rate are sales taxes collected for the Los Angeles County Metropolitan Transportation Authority for transportation purposes and taxes collected by the County for homeless services. A portion of those taxes is remitted to the City for deposit in special revenue funds.

The components of the current sales taxes collected in the City are presented below.

Table 20
LOS ANGELES CITY
SALES TAX COMPONENTS
As of July 1, 2022

<u>State Rate</u>		
General Fund Portion	3.9375%	
Local Revenue Fund	1.5625%	To support local health program costs (1991 realignment) and public safety services (2011 realignment).
Local Public Safety	<u>0.50%</u>	For the Local Public Safety Fund, approved by the State voters in 1993 as Proposition 172 to support local criminal justice activities. The City has budgeted \$57 million in Fiscal Year 2022-23 receipts, which are deposited in a special fund and appropriated to the Police and Fire Departments.
Total State Rate	6.00%	
<u>Uniform Local Tax Rate</u> (Statewide)		
County Transportation	0.25%	The County allocates a small portion of this to the City.
Local Point of Sale	<u>1.00%</u>	This is the “Bradley-Burns” sales tax, allocated to cities and counties (for unincorporated areas) by point of sale.
Total Uniform Local Rate	<u>1.25%</u>	
Total Statewide Rate	7.25%	
<u>Optional Local Rates</u> ⁽¹⁾		
Proposition A (LACMTA)	0.50%	} Voter-approved measures to improve public transit and reduce traffic congestion. The City receives a portion of these funds, with the percentage varying by measure.
Proposition C (LACMTA)	0.50%	
Measure R (LACMTA)	0.50%	
County Measure M (LACMTA)	0.50%	
County Measure H (LA County)	0.25%	Voter-approved measure for homeless services.
Total Optional Local Rate	<u>2.25%</u>	
Total Sales Tax Rate	9.50%	

⁽¹⁾ State law permits optional voter approval of local tax rates, up to a combined maximum, which is 10.25% in the County. These rates are levied in 0.25% and 0.5% increments.

Source: City of Los Angeles, Office of the City Administrative Officer.

The following table shows the actual and budgeted General Fund receipts from the 1 percent local sales tax. The pandemic had a significant impact on taxable sales and thus the City’s receipt of sales tax revenues. Various State actions during the pandemic, such as extension of filing dates and adjustment to its allocation methodologies, further obscured the impact of the pandemic on recent receipts. Beginning in Fiscal Year 2021-22, sales tax revenues recovered sharply and have grown to higher levels than before the pandemic.

Table 21
GENERAL FUND SALES TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts</i> ⁽¹⁾	<i>Change from Prior Year</i>
2019-20	\$556,237	(4.3)%
2020-21	524,618	(5.7)
2021-22	687,299	31.0
[2022-23 Estimated	718,655	4.6]
2023-24 Adopted Budget	724,230	0.8

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Documentary Transfer Tax

The documentary transfer tax is imposed on each transaction in which real property is sold that is evidenced by a recorded document. The City’s tax rate is 0.45 percent of the value of real property transferred. This tax is in addition to the 0.11 percent tax (\$1.10 per \$1,000) levied by the County. This tax is tied to real estate market activity and can be more volatile than other City revenues, as it reflects both sales volume and sales price. The greatest impact is seen when the two components move together. For example, this tax revenue declined 29 percent in Fiscal Year 2007-08, and another 31 percent in Fiscal Year 2008-09 during the Great Recession. Further contributing to the volatility of this revenue is the irregular pattern of business property sales; monthly remittances can fluctuate from zero to amounts in excess of \$10 million.

Documentary transfer tax revenue saw growth during the pandemic. Higher mortgage rates have placed downward pressure on sales volume and prices, resulting in a decline in 2022-23 receipts. The Fiscal Year 2023-24 Adopted Budget assumes a decline in home prices, a recovery in sales volume, and a net decline in tax receipts.

The table below presents receipts from this revenue source.

Table 22
DOCUMENTARY TRANSFER TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$205,473	(0.4)%
2020-21	235,922	14.8
2021-22	308,805	30.9
[2022-23 Estimated	224,725	(27.2)]
2023-24 Adopted Budget	198,610	(11.6)

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

In November 2022, the City’s voters approved ULA, a voter initiative to fund affordable housing projects and programs. ULA amends the City’s present documentary transfer tax by adding a new tax, subject to certain exemptions, on the sale or transfer of real property exceeding \$5 million. Proceeds of the ULA special tax will be deposited in a special fund to be used for affordable housing projects and programs as set forth under ULA. The ULA special tax will not provide revenues to the General Fund and is not reflected in the table above. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION—Certain Significant Challenges—Homelessness,” above.

Power Revenue Transfers to General Fund

The City’s Charter Section 344(b) provides that the Council may, by ordinance, direct that surplus money in the Power Revenue Fund be transferred to the Reserve Fund with the consent of the DWP Commissioners. These funds are routinely appropriated from the Reserve Fund to the City’s General Fund budget. The DWP Commissioners may withhold their consent if such transfer would have a material negative impact on DWP’s financial condition in the year in which the transfer would be made. The transfer rate has been 8 percent of surplus revenues beginning with Fiscal Year 2009-10.

Variances can occur between the amount budgeted for transfer and the amount received, reflecting the variance between actual financial results of the Power System for the prior year from the results projected by the DWP at the time the budget is adopted. The estimated transfer amount is provided by the DWP at the time of budget adoption and is based on the Power System’s financial plan for the fiscal year currently in progress. At

the close of the fiscal year, but before December 31 in the following fiscal year, the Board of DWP Commissioners affirms or amends the transfer amount according to its audited financial statements. The transfer occurs in the latter half of the following fiscal year.

The City has been the subject of litigation that challenged this long-standing practice of transferring a portion of surplus power revenues to the City’s General Fund as a violation of Proposition 26, which imposed new restrictions on taxation. A 2018 settlement in *Eck v. City of Los Angeles* limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26.”

The following table shows transfers from the Power Revenue Fund. Amounts shown reflect the settlement under the *Eck* case.

Table 23
TRANSFERS FROM POWER REVENUE FUND
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$229,913	(1.1)%
2020-21	218,355	(5.0)
2021-22	225,015	3.1
[2022-23 Estimated	232,043	3.1]
2023-24 Adopted Budget	236,502	1.9

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Transient Occupancy Tax

The transient occupancy tax (“TOT”) is levied at the rate of 14 percent of the amount charged for hotel and motel rooms or other dwellings occupied for 30 days or less. The tax is collected by hotel operators, individuals, and short-term rental websites, which are subsequently remitted to the City monthly.

TOT revenue is very sensitive to changing conditions that affect travel and was significantly impacted by the COVID-19 pandemic. Following significant growth in Fiscal Year 2022-23, the City assumes more moderate growth for Fiscal Year 2023-24.

The 14 percent tax rate is composed of two parts: a 13 percent General Fund tax and a 1 percent special tax to fund the Los Angeles Convention and Visitors’ Bureau (also known as L.A. Tourism). The table below presents General Fund receipts from the 13 percent portion of the tax rate.

Table 24
GENERAL FUND TRANSIENT OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$253,539	(20.5)%
2020-21	110,427	(56.4)
2021-22	239,124	116.5
[2022-23 Estimated	307,810	28.7]
2023-24 Adopted Budget	342,430	11.2

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Parking-Related Revenues

The City receives revenue from three different parking revenue sources: parking fines, a parking tax, and transfers from a special fund that receives revenues from parking meters and City-owned parking lots. All three of these revenues were negatively impacted by the pandemic.

The schedule of parking fines is established by the Council. For budgeting purposes, parking fine revenue forecasts are based on the number of parking enforcement officers employed by the City’s Department of Transportation and estimates of average revenues per ticket based on historical trends, collection rates and average worker productivity; however, Fiscal Year 2022-23 parking fine revenues are expected to come in 17.7 percent less than budgeted due to traffic officer vacancies, operational needs, and declining collections. The Fiscal Year 2023-24 Adopted Budget is based on post pandemic issuance and collection activity.

The table below shows receipts from all parking fines.

Table 25
PARKING FINES RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$114,865	(11.6)%
2020-21	93,347	(18.7)
2021-22	110,273	18.1
[2022-23 Estimated	107,000	(3.0)]
2023-24 Adopted Budget	115,000	7.5

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

The parking occupancy tax is levied at 10 percent of parking fees. Due to the impacts of the COVID-19 pandemic, revenues from this source fell 53 percent from Fiscal Year 2018-19 to Fiscal Year 2020-21, from \$120.9 million to \$58.8 million. The Fiscal Year 2023-24 Adopted Budget estimates \$129.2 million in revenues, which exceeds pre-pandemic levels.

Table 26
PARKING OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$106,979	(11.6)%
2020-21	58,844	(45.0)
2021-22	101,055	71.7
[2022-23 Estimated	123,000	21.7]
2023-24 Adopted Budget	129,195	5.0

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

The Special Parking Revenue Fund collects receipts from parking meters and City-owned parking lots. Surplus revenues after the cost of operating and maintaining those facilities can be transferred to the General Fund. While the City has established an annual transfer of \$23.5 million as its target, higher and lower amounts are transferred in some years; no surplus funds were available for transfer in Fiscal Year 2020-21.

Table 27
SPECIAL PARKING REVENUE FUND TRANSFERS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2019-20	\$31,294	(2.6)%
2020-21	-	(100.0)
2021-22	8,477	N/A
[2022-23 Estimated	30,426	258.9]
2023-24 Adopted Budget	32,388	6.4

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Impact of State of California Budget

A number of the City’s revenues are collected or subvented by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately 40 percent of the City’s General Fund revenues are collected by the State or otherwise allocated in accordance with State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing, or taken other actions that adversely impacted the financial condition of local governments, including the City. Proposition 1A, adopted in 2004, amended the State Constitution to impose limits on the State’s ability to reallocate local revenue. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.”

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California 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.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references. There can be no assurance

that State budget actions will not materially adversely impact the City’s finances in Fiscal Year 2023-24 or thereafter.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution – Proposition 13

Article XIII A of the California Constitution, known as Proposition 13, was approved by the voters in 1978. Article XIII A limits the amount of *ad valorem* taxes on real property to 1 percent of “full cash value” as determined by the County Assessor, except that additional *ad valorem* taxes may be levied to pay debt service on local government indebtedness approved by the voters.

Article XIII A defines “full cash 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 when purchased, newly constructed or when a change in ownership has occurred after the 1975 assessment period. The full cash value may be adjusted annually to reflect inflation at a rate, as determined by the consumer price index, not to exceed 2 percent per year. “Full cash value” base may be reduced in the event of declining property values caused by damage, destruction or other factors. Under the California Revenue and Taxation Code, county assessors that have reduced assessed valuation may be able to recapture such value (up to the pre-decline value of the property) at a rate higher than 2 percent per year in some circumstances.

See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax.”

Article XIII B of the California Constitution

Article XIII B of the California Constitution, approved by the voters in 1979 and commonly referred to as the “Gann Limit”, limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1986-87 fiscal year as a result of Proposition 111.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the “proceeds of taxes” levied by the State or other entity of local government, exclusive of certain limited funds. In addition to the proceeds of General Fund taxes, “proceeds of taxes” include all tax revenues and proceeds from (1) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (2) the investment of tax revenues; and (3) certain funds received from the State. If any entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years. The Article XIII B limitation generally does not apply to debt service on voter-approved indebtedness and appropriations required to comply with mandates of courts, or the federal government or certain capital expenditures.

The table below sets forth the City’s appropriations limit and appropriations subject to limitation.

Table 28
APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION

<i>Fiscal Year</i>	<i>City Appropriations Limit</i>	<i>Appropriations Subject to Limitations</i>	<i>Amount Appropriations Are Under Limit</i>
2019-20	\$6,234,016,905	\$4,585,351,952	\$1,648,664,953
2020-21	6,682,049,927	4,589,819,240	2,092,230,687
2021-22	7,173,171,778	4,714,764,906	2,458,406,872
2022-23	7,471,986,677	5,088,871,943	2,383,114,734
2023-24	8,004,663,462	5,395,735,126	2,608,928,336

Source: City of Los Angeles, Office of the City Administrative Officer.

Articles XIIC and XIID of the California Constitution – Proposition 218

Articles XIIC and XIID of the California Constitution, approved by the California voters in 1979, restrict the ability of the City to levy and collect existing and future taxes, assessments, fees and charges.

Article XIIC requires that all new local taxes or increases in existing local taxes be approved by the electorate before they become effective. Taxes for general governmental purposes of the City require majority voter approval and taxes for specific purposes introduced by a local government (as opposed to one introduced by citizen initiative), even if deposited in the City’s General Fund, require two-thirds voter approval. These requirements reduce the flexibility of the Council to raise revenues for the General Fund and may prevent the City from imposing, extending or increasing such taxes in the future to meet any increased expenditure requirements.

Article XIID contains provisions generally making it more difficult for local agencies to levy and maintain “assessments” (any levy or charge upon real property for a special benefit conferred upon the real property) for municipal services and programs and “property-related fees and charges” (any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service). Assessments shall not be imposed if there is a majority protest by property owners submitting ballots on the issue. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The City is currently the subject of a putative class action lawsuit, entitled *Hoffman et al. v. City of Los Angeles*, which alleges that the charges imposed on residential customers for the use and disposal of sewage through the City’s sewage system violate Proposition 218 and other applicable City statutes. The court issued an interim decision on or about June 30, 2021, finding that the City failed to meet the procedural requirements under Proposition 218, along with other applicable City statutes, when it imposed residential sewer service charges on residential customers with its annual determination of a reduction factor (Dry Winter Compensation Factor) that is applied to such charges. The parties have mediated this matter and reached a tentative common fund settlement of \$57.5 million to resolve the entirety of the case. The court granted preliminary approval of such settlement on June 8, 2023, with a hearing for final court approval in December 2023. The settlement amount, paid from the City’s wastewater enterprise fund, was deposited into escrow to be disbursed to the plaintiffs after final court approval.

See “LITIGATION—*Apartment Owners Association of Ca. v. City of Los Angeles*” for a discussion of outstanding litigation which could invalidate the City’s franchise fee program for private commercial waste haulers.

In addition, Article XIII C addresses the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. The voters of the City could, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, fees or charges. Such an action could have a material impact on the City's General Fund.

Proposition 26

Proposition 26 was approved by the electorate in 2010 and amended California Constitution Articles XIII A and XIII C. Proposition 26 imposes a majority voter approval requirement on local governments such as the City with respect to certain fees and charges for general purposes, and a two-thirds voter approval requirement with respect to certain fees and charges for special purposes, unless the fees and charges are expressly excluded. Proposition 26 was designed to supplement tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product.

The City has been subject to a series of lawsuits pertaining to the transfer of surplus power revenues, which is a material source of City General Fund revenues. The principal lawsuit on this matter was *Eck*, which was settled in 2018. See "MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers to General Fund."

Proposition 1A

Proposition 1A, approved by the voters in 2004, amended the State Constitution to impose limits on the State's ability to reallocate local revenue. The measure 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 1A also limits, but does not totally restrict, the State's ability to shift any share of property tax revenues allocated to local governments in any fiscal year to schools or community colleges. Up to 8 percent of local government property tax revenues may be shifted if specified conditions are met, and any amount shifted must be repaid, with interest, within three years. The right of the State to redirect local revenues under Proposition 1A was exercised in Fiscal Year 2009-10.

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 State Legislature. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues.

Further, Proposition 1A requires the State 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.

Future Initiatives

The voters of the City may approve initiatives that reduce or repeal local taxes, assessments, fees or charges. From time to time, other initiative measures could be adopted at the state or local level, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations, or which repeal or reduce existing taxes, assessments, fees or charges, which may affect the City's revenues or its ability to expend its revenues.

Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act. On February 1, 2023, the California Secretary of State announced that a ballot initiative known as the “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”), received the required number of signatures to appear on the November 5, 2024 ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition “tax” in Article XIII C to include “every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge.” Initiative 1935 defines “exempt charge” to mean a “reasonable charge 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 actual costs [as opposed to the reasonable costs] of providing the service or product to the payor.” “Exempt charges” also encompass existing exceptions from the definition of “tax” added to Article XIII C by Proposition 26, including property-related fees imposed in accordance with Article XIII D (see “—Articles XIII C and XIII D of the California Constitution – Proposition 218,” above). “Actual costs” is defined as “the minimum amount necessary to reimburse the government for the cost of providing the service or product ... less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIII C to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

Initiative 1935 is retroactive, and provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The City cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances that it will not have a material adverse effect on the City’s ability to adopt or increase rates, fees, and charges for the various services provided by the City.

BONDED AND OTHER INDEBTEDNESS

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness.

The CAO serves as the City’s debt manager, structuring debt issuances and overseeing the ongoing management of all tax-secured, General Fund and certain special fund debt programs. These include general obligation bonds; lease obligations; tax and revenue anticipation notes; wastewater system and solid waste resources fee revenue obligations; judgment obligation bonds, if any; and special tax obligations, Mello-Roos bonds and certain special assessment obligations. Debt of the Housing Department and the City’s three

proprietary departments—Airports, Harbor, and Water and Power—are administered by staff of the respective department.

General Obligation Bonds

The City may issue general obligation bonds for the acquisition and improvement of real property, subject to two-thirds voter authorization of the bond proposition. An *ad valorem* tax on all taxable property to pay principal and interest on general obligation bonds is levied by the City and collected by the County on the secured and unsecured property tax bills within the City. See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax.” The following summarizes the City’s various voter authorizations for general obligation bonds as of July 1, 2023.

Table 29
GENERAL OBLIGATION BONDS
As of July 1, 2023

<i>Date of Election</i>	<i>Projects</i>	<i>Amount Authorized</i>	<i>Amount Issued</i>	<i>Amount Outstanding⁽¹⁾</i>	<i>Amount Authorized but Unissued</i>
11/7/00	Fire, Paramedic, Helicopter and Animal Shelter Projects (Proposition F)	\$ 532,648,000	\$ 532,648,000	\$ 5,518,037	--
3/5/02	Emergency Operations, Fire, Dispatch and Police Facilities (Proposition Q)	600,000,000	600,000,000	20,593,384	--
11/2/04	Storm Water Projects (Proposition O)	500,000,000	439,500,000	137,043,579	\$ 60,500,000
11/8/16	Homelessness (Proposition HHH)	<u>1,200,000,000</u>	<u>963,985,000</u>	<u>876,525,000</u>	<u>236,015,000</u>
	Total	\$2,832,648,000	\$2,536,133,000	\$1,039,680,000	\$296,515,000

⁽¹⁾ Includes pro-rata allocation of refunding bonds. Principal payments are made September 1.
Source: City of Los Angeles, Office of the City Administrative Officer.

The following indicates the *ad valorem* property tax rate levied to service the City’s general obligation bonds, as well as the overlapping property tax rates levied in the City. These rates in the table are representative, and show the rates in the four largest taxing areas within the City, as measured by assessed valuation.

Table 30
2021-22 TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION⁽¹⁾

Countywide 1%	1.000000%
City of Los Angeles	0.014721
Los Angeles Unified School District	0.113228
Los Angeles Community College District	0.043759
Metropolitan Water District	<u>0.003500</u>
Total	1.175208%

⁽¹⁾ Rates in Tax Rate Areas 00067, 00013, 00016 and 00004.
Source: California Municipal Statistics, Inc.

Lease Obligations

The City may enter into long-term lease obligations without first obtaining voter approval, so long as these agreements meet the requirements of State law. The City has entered into various lease arrangements under which the City must make annual lease payments to occupy public buildings or use capital equipment necessary for City operations. Most of these lease agreements have been with a nonprofit corporation established by the City for this purpose, the Municipal Improvement Corporation of Los Angeles (“MICLA”). In most cases, securities have been issued in the form of lease revenue bonds, on which debt service is paid from the annual lease payments primarily made by the City’s General Fund. In some cases, as noted below, the lease

obligation was privately placed directly with a bank or other private lender. Payment of lease payments is managed by the CAO and, unless otherwise noted, budgeted in the Capital Finance Administration Fund.

The following table summarizes the outstanding bonded and other long-term financing lease obligations payable from the City's General Fund.

Table 31
GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS
As of July 1, 2023

<i>Series</i>	<i>Project</i>	<i>Amount Issued</i>	<i>Amount Outstanding</i>	<i>Final Maturity</i>
Public Offerings				
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	\$ 18,170,000	\$ 14,855,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	57,955,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	531,430,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	30,950,000	11/1/27
MICLA Lease Revenue Bonds, Series 2018-B (dated February 6, 2018)	Real Property	31,270,000	26,405,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (Taxable) (dated February 6, 2018)	Real Property	25,630,000	13,910,000	11/1/27
MICLA Lease Revenue Bonds, Series 2020-A (dated August 20, 2020)	Capital Equipment and Fixtures	84,725,000	70,990,000	11/1/30
MICLA Lease Revenue Refunding Bonds, Series 2020-B (dated August 20, 2020)	Real Property	80,850,000	58,720,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2020-C Taxable (dated August 20, 2020)	Real Property	102,265,000	68,275,000	11/1/41
MICLA Lease Revenue Refunding Bonds, Series 2021-A (Taxable) (dated March 4, 2021)	Capital Equipment and Real Property	177,470,000	152,840,000	11/1/38
MICLA Lease Revenue Refunding Bonds, Series 2021-B (dated March 4, 2021)	Capital Equipment and Real Property	60,481,000	60,481,000	11/1/38
MICLA Lease Revenue Bonds, Series 2021-C (dated December 15, 2021)	Capital Equipment and Real Property	<u>154,205,000</u>	<u>146,460,000</u>	11/1/41
Subtotal Public Offerings		\$1,600,001,000	\$1,233,271,000	
Private Placements				
MICLA 2016 Streetlights Financing (dated April 5, 2016) ⁽¹⁾	Capital Equipment and Fixtures	26,368,864	3,521,326	4/1/24
MICLA 2017 Streetlights Financing (dated April 18, 2017) ⁽¹⁾	Capital Equipment and Fixtures	39,297,800	16,929,116	6/1/27
2017 Police Radios Lease Financing (dated December 22, 2017)	Handheld Radios	64,500,000	[18,117,254]	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019) ⁽¹⁾	Capital Equipment and Fixtures	17,845,461	12,250,098	6/1/29
MICLA 2020 Streetlights Financing (dated November 1, 2020) ⁽¹⁾	Capital Equipment and Fixtures	<u>9,088,272</u>	<u>7,432,619</u>	6/1/31
Subtotal Private Placements		<u>\$157,100,397</u>	<u>\$58,250,413</u>	
Total Lease Obligations		<u>\$1,757,101,397</u>	<u>\$ 1,291,521,413</u>	

⁽¹⁾ Payments made from the Street Lighting Maintenance Assessment Fund.
Source: City of Los Angeles, Office of the City Administrative Officer.

Commercial Paper Programs

The City has created two commercial paper (“CP”) programs secured by lease agreements payable from the General Fund.

In 2004, the City and MICLA established a commercial paper program authorizing MICLA to issue lease revenue CP notes to finance and refinance capital equipment, the acquisition and improvement of real property, and other financing needs of the City (the “General MICLA CP”). The General MICLA CP program increased from time to time and is currently authorized for up to \$425 million. The City expects to issue lease revenue bonds through MICLA from time to time to refund the General MICLA CP. As of June 1, 2023, \$302.9 million in General MICLA CP was outstanding under this program.

The City has created a second CP program to issue up to \$100 million in lease revenue CP notes to finance and refinance capital improvements to the Los Angeles Convention Center facility (the “LACC CP”), which also represents a lease obligation of the General Fund. As of June 1, 2023, \$16.7 million in LACC CP was outstanding under this program.

The City generally pays interest, letter of credit fees, and other program costs as they become due out of its own funds rather than paying from CP proceeds.

In connection with each of these CP programs, the City arranged for the issuance of one or more irrevocable direct-pay letters of credit and entered into a reimbursement agreement with each of the credit banks. If the City is unable to secure replacement letters of credit, the related letters of credit would be drawn upon prior to expiration to pay interest and principal due on the CP. Under the reimbursement agreement, the City is generally required to reimburse the credit banks over a period of time, but annual payments may not exceed the annual fair rental value of the leased properties. The reimbursement agreements contain a number of covenants and agreements on the part of the City, and specify events of default and remedies.

The direct-pay letters of credit that support these CP programs are scheduled to expire on June 30, 2025. The table below summarizes the direct-pay letters of credit that will support the payment of principal of and interest on the General MICLA CP and the LACC CP programs, respectively.

Table 32
LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT

<i>Series</i>	<i>LOC Provider</i>	<i>Amount of CP Supported</i>	<i>LOC Expiration</i>
A-1 and B-1	BMO Harris Bank, N.A.	\$150,000,000	June 30, 2025
A-2 and B-2	Bank of America, N.A.	100,000,000	June 30, 2025
A-3 and B-3	U.S. Bank National Association	175,000,000	June 30, 2025
Convention Center	U.S. Bank National Association	100,000,000	June 30, 2025

Source: City of Los Angeles, Office of the City Administrative Officer.

Revenue Bonds

The Charter and State law provide for the issuance of revenue bonds, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds administered by the CAO have been issued in the past that are secured by wastewater, solid waste resources, and parking revenues. In addition, three departments that are under the control of Boards appointed by the Mayor and confirmed by the Council, namely the departments of Water and Power, Harbor and Airports, have also issued revenue bonds.

Conduit Debt Obligations

The City has issued bonds or entered into installment purchase contracts secured by and payable from loans and installment sale contracts to provide conduit financing for single and multi-family housing, industrial

development and unrelated third-party 501(c)(3) nonprofit corporations. These conduit bonds and certificates of participation are not managed by the CAO and are not obligations of the General Fund or other City revenues.

Cash-flow Borrowings

The City annually issues tax and revenue anticipation notes (“TRANS”) to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received. A large portion of these cash flow needs arise from the City’s long-standing practice of paying its contribution to its pension systems early in the fiscal year in order to receive a discount. The following table summarizes the City’s most recent TRANS issuances.

**Table 33
TAX AND REVENUE ANTICIPATION NOTES**

<i>Fiscal Year</i>	<i>LACERS</i>	<i>Fire and Police Pensions</i>	<i>Other Cashflow</i>	<i>Total Par Amount</i>
2019-20	\$539,935,000	\$680,670,000	\$434,425,000	\$1,655,030,000
2020-21	515,155,000	714,395,000	531,755,000	1,761,305,000
2021-22	579,765,000	695,960,000	578,365,000	1,854,090,000
2022-23	627,120,000	651,180,000	295,570,000	1,573,870,000
2023-24	664,980,000	627,070,000	196,790,000	1,488,840,000

Source: City of Los Angeles, Office of the City Administrative Officer.

Summary of Long-Term Borrowings

The table below presents a statement of the City’s debt, while the subsequent two tables summarize the debt service to maturity of certain of these obligations. Direct Debt is usually defined as the total amount outstanding of “tax-supported” obligations, including general obligation bonds, lease revenue bonds, certificates of participation secured by lease payments, and other obligations paid from property tax or other general revenues. Net Direct Debt excludes any general obligation bonds and lease obligations that are self-supporting from non-General Fund sources; no such deductions are included below. Overall Net Debt is usually defined to be the combination of City Net Direct Debt plus the net tax-supported debt of overlapping counties, school districts and special districts, including assessment and Mello-Roos special tax debt.

**[Table 34]
NET DIRECT DEBT
[As of June 1, 2023]**

	<i>Outstanding</i>
General Obligation Bonds	\$ 1,039,680,000
Lease Obligations ^{(1) (2)}	<u>\$ 1,291,521,413</u>
Gross Direct Debt Subtotal	\$ 2,331,201,413
Revenue Bonds ⁽²⁾	
Power Revenue (DWP) ⁽²⁾	\$10,687,870,000
Water Revenue (DWP) ⁽²⁾⁽³⁾	5,896,235,000
Department of Airports ⁽²⁾	10,492,235,000
Harbor Department ⁽²⁾	537,130,000
Wastewater System	
Senior Revenue Bonds	869,190,000
Subordinate Revenue Bonds ⁽²⁾	1,563,140,000
Solid Waste Resources Fee	<u>128,455,000</u>
Revenue Bonds Subtotal	<u>\$30,174,255,000</u>
TOTAL CITY DEBT	\$32,505,456,413
Less:	
Revenue Bonds	<u>(30,174,255,000)</u>
NET DIRECT DEBT	\$ 2,331,201,413
Plus:	
Overlapping Debt ⁽⁴⁾	<u>\$14,024,709,763</u>
NET OVERALL DEBT	<u>\$16,355,911,176</u>

⁽¹⁾ Includes only bonded and certificated lease obligations.

⁽²⁾ Does not include commercial paper.

⁽³⁾ Does not include California State Revolving Fund loans.

⁽⁴⁾ Overlapping debt information from California Municipal Statistics, Inc. as of June 1, 2023. See Table 42.

Source: City of Los Angeles, Office of the City Administrative Officer.

Table 35
DEBT SERVICE TO MATURITY ON DEBT PAYABLE
FROM *AD VALOREM* PROPERTY TAXES⁽¹⁾
As of July 1, 2023

<i>Fiscal Year</i>	<i>Principal</i>	<i>General Obligation Bonds Interest</i>	<i>Total</i>
2024	\$ 91,070,000	\$ 46,946,261	\$ 138,016,261
2025	73,845,000	35,623,235	109,468,235
2026	66,790,000	32,827,134	99,617,134
2027	66,020,000	30,158,955	96,178,955
2028	64,560,000	27,622,723	92,182,723
2029	66,015,000	25,168,013	91,183,013
2030	61,300,000	22,740,310	84,040,310
2031	53,740,000	20,546,414	74,286,414
2032	53,660,000	18,512,718	72,172,718
2033	48,190,000	16,615,539	64,805,539
2034	48,190,000	14,852,553	63,042,553
2035	48,190,000	13,060,287	61,250,287
2036	48,190,000	11,233,581	59,423,581
2037	48,190,000	9,375,081	57,565,081
2038	48,190,000	7,484,790	55,674,790
2039	43,875,000	5,637,972	49,512,972
2040	30,065,000	4,118,439	34,183,439
2041	30,065,000	2,862,848	32,927,848
2042	30,065,000	1,603,283	31,668,283
2043	19,470,000	486,750	19,956,750
Total	\$ 1,039,680,000	\$ 347,476,885	\$ 1,387,156,885

⁽¹⁾ Totals may not add due to independent rounding.
Source: City of Los Angeles, Office of the City Administrative Officer.

Table 36
DEBT SERVICE TO MATURITY ON BONDED LEASE OBLIGATIONS⁽¹⁾
As of July 1, 2023

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2024	\$ 121,734,595	\$ 51,216,795	\$ 172,951,390
2025	117,220,117	47,171,849	164,391,966
2026	110,804,302	43,085,836	153,890,138
2027	114,854,518	38,685,881	153,540,398
2028	91,517,013	34,288,547	125,805,560
2029	84,740,289	30,448,118	115,188,407
2030	74,539,184	26,927,673	101,466,857
2031	77,972,395	23,480,907	101,453,302
2032	69,318,000	20,142,620	89,460,620
2033	61,746,000	17,160,649	78,906,649
2034	63,450,000	14,483,252	77,933,252
2035	62,769,000	11,926,748	74,695,748
2036	65,390,000	9,288,746	74,678,746
2037	68,252,000	6,416,430	74,668,430
2038	40,613,000	4,000,706	44,613,706
2039	28,311,000	2,488,698	30,799,698
2040	16,080,000	1,474,680	17,554,680
2041	13,645,000	739,438	14,384,438
2042	8,565,000	196,976	8,761,976
Total	\$ 1,291,521,413	\$ 383,624,550	\$ 1,675,145,962

⁽¹⁾ Totals may not add due to independent rounding.
Source: City of Los Angeles, Office of the City Administrative Officer.

Debt Management Policies

The City first adopted a written debt policy in August 1998, which has been amended from time to time by ordinance, most recently in 2020. The City has also adopted policies for Mello-Roos financing, variable rate debt and swaps. See “BUDGET AND FINANCIAL OPERATIONS—Financial Management Policies.” The City’s Debt Management Policy establishes guidelines for the structure and management of the City’s debt obligations. These guidelines include target and ceiling levels for certain debt ratios to be used for planning purposes. The two most significant ratios are shown below.

Table 37
DEBT MANAGEMENT POLICY RATIOS

<i>Ratio</i>	<i>Ceiling</i>	<i>2021-22</i>	<i>Estimated 2022-23</i>	<i>Budget 2023-24</i>
Total Direct Debt Service as Percent of General Revenues ⁽¹⁾	15.0%	4.81%	4.37%	4.22%
Non-Voted Direct Debt Service as Percent of General Revenues ⁽¹⁾	6.0% ⁽²⁾	3.33%	2.92%	2.54%

⁽¹⁾ For purposes of the Debt Policy, General Revenues includes the General Fund, General Obligation Bond Debt Service Funds, and any tax revenues deposited into special funds that pay debt service on lease revenue bonds.

⁽²⁾ The 6% ceiling may be exceeded only if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5%, or there is not a guaranteed revenue stream but the 6% ceiling shall only be exceeded for one year.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below provides a comparison of City debt ratios for its net direct debt outstanding for the past five fiscal years.

Table 38
FINANCIAL RATIOS

<i>As of June 30</i>	<i>Net Direct Debt</i>	<i>Net Debt Per Capita</i>	<i>Net Debt as Percent of Net Assessed Valuation</i>
2019	\$2,241,343,140	\$562	0.37%
2020	2,160,374,979	543	0.33
2021	2,064,424,459	526	0.30
2022	2,168,271,002	568	0.30
2023	2,331,201,413	619	0.30

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows debt service payable from the General Fund for long-term lease revenue obligations and, through 2019-20, judgment obligation bonds, as a percent of General Fund revenues.

Table 39
GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND⁽¹⁾

<i>Fiscal Year</i>	<i>Total Debt Service</i>	<i>Paid From Special Revenue Funds</i>	<i>Net General Fund Debt Service⁽²⁾</i>	<i>General Fund Revenues⁽³⁾</i>	<i>Gross as Percent of GF</i>	<i>Net as Percent of GF</i>
2018-19	\$238,288,959	\$26,600,114	\$211,688,845	\$6,231,089,520	3.82%	3.40%
2019-20	212,168,449	25,259,709	186,908,740	6,374,231,315	3.33%	2.93%
2020-21	181,176,205	22,591,091	158,585,114	7,009,426,788	2.58%	2.26%
2021-22	228,153,071	23,366,537	204,786,534	7,509,699,517	3.04%	2.73%
2022-23 Estimated	215,250,937	23,108,430	192,142,507	7,547,695,636	2.85%	2.55%
2023-24 Adopted Budget	185,369,830	19,666,099	165,703,731	7,766,965,803	2.39%	2.13%

⁽¹⁾ Cash basis.

⁽²⁾ While all obligations reported in this table are payable from all legally available funds, a portion of this debt service is paid from certain special revenue funds. Net General Fund Debt Service represents the amounts actually paid out of General Fund revenues.

⁽³⁾ Excludes transfers from the Reserve Fund.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below provides a schedule of debt retirement for net direct debt.

Table 40
RETIREMENT OF NET DIRECT DEBT⁽¹⁾
As of June 1, 2023

<i>Maturing Within</i>	<i>General Obligation Bonds</i>		<i>Bonded and Certificated Leases</i>		<i>Total</i>	
	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>
>0 to 5 years	\$ 362,285,000	34.8%	\$ 556,130,545	43.1%	\$ 918,415,545	39.4%
>5 to 10 years	282,905,000	62.1	368,315,868	71.6	651,220,868	67.3
>10 to 15 years	240,950,000	85.2	300,474,000	94.8	541,424,000	90.6
>15 to 20 years	153,540,000	100.0	66,601,000	100.0	220,141,000	100.0
Total	\$ 1,039,680,000		\$1,291,521,413		\$ 2,331,201,413	

⁽¹⁾ Totals may not add due to independent rounding.

Source: City of Los Angeles, Office of the City Administrative Officer.

Variable Rate Obligations and Swap Agreements

The only variable-rate debt paid from General Fund revenues are the CP programs described above. There are no swap agreements payable from the General Fund.

Projected Additional Financings

The City currently anticipates the completion of some or all of the financings summarized in the table below secured in whole or in part by the City’s General Fund or other revenues and taxes. Certificates of participation or lease revenue bonds in addition to those listed below may be approved for refundings or to finance real and personal property acquisitions and improvements.

Table 41
PROPOSED SCHEDULE OF BOND ISSUANCES⁽¹⁾
DEBT CALENDAR
(as of July 18, 2023)

	<i>Expected Sale Date</i>	<i>Amount</i>
Fiscal Year 2023-24 Debt Issuance		
Los Angeles Wastewater System Revenue Bonds (CP Take-out)	Spring 2024	\$360 million
2024 Tax and Revenue Anticipation Notes	Summer 2024	TBD
General Obligation Bonds (Taxable) (Proposition HHH)	TBD	\$236.02 million
Fiscal Year 2024-25 Debt Issuance		
MICLA Lease Revenue Bonds (Capital Equipment and Real Property) (CP Take-out)	Spring 2025	\$220 million
2025 Tax and Revenue Anticipation Notes	Summer 2025	TBD
General Obligation Bonds (Proposition O)	TBD	\$60.5 million

⁽¹⁾ Subject to change. Excludes commercial paper issuances.
Source: City of Los Angeles, Office of the City Administrative Officer.

Overlapping Bonded Debt

Contained within the City are numerous overlapping local agencies providing public services. Many of these local agencies have outstanding bonds issued primarily in the form of general obligation, pension obligation, lease revenue, special tax, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics Inc., is shown in the following table. The City makes no representations as to its completeness or accuracy. Self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The City anticipates issuing additional bonded debt. See “BONDED AND OTHER INDEBTEDNESS—Introduction” and “Projected Additional Financings.” The City also anticipates that new special assessment and special tax districts may be created in the future within the City, and that debt supported by these special assessments and special taxes may be issued.

Table 42
STATEMENT OF OVERLAPPING DEBT
As of June 1, 2023

	<i>Debt Outstanding</i>	<i>Estimated Percent Applicable</i>	<i>Estimated Shares Of Overlapping</i>
<u>OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES</u>			
The Metropolitan Water District of Southern California	\$ 19,215,000	21.300%	\$ 4,092,795
Los Angeles Community College District	4,500,730,000	72.250	3,251,777,425
Beverly Hills Unified School District	644,388,210	0.153	985,914
Inglewood Unified School District	184,485,000	0.729	1,344,896
Las Virgenes Joint Unified School District	98,247,606	0.884	868,509
Los Angeles Unified School District	10,704,725,000	88.195	9,441,032,214
Other School Districts	515,532,057	Various	413,068
City of Los Angeles Community Facilities District No. 4	55,100,000	100.000	55,100,000
City of Los Angeles Community Facilities District No. 8	5,290,000	100.000	5,290,000
City of Los Angeles Community Facilities District No. 11	22,410,000	100.000	22,410,000
Mountains Recreation and Conservation Authority Assessment Districts	13,765,000	100.000	13,765,000
Los Angeles Unified School District supported general obligation bonds ⁽¹⁾			(198,654,828)
<u>OTHER OVERLAPPING DEBT:</u>			
Los Angeles County General Fund Obligations	\$2,601,551,282	40.888%	\$ 1,063,722,288
Los Angeles County Superintendent of Schools Certificates of Participation	3,403,487	40.888	1,391,618
Los Angeles County Sanitation District Nos. 1, 4, 5, 8 & 16 Authorities	3,427,254	0.001 - 12.088	170,470
Inglewood Unified School District Certificates of Participation	1,120,000	0.729	8,165
Las Virgenes Unified School District Certificates of Participation	8,572,605	0.884	75,782
Los Angeles Unified School District Certificates of Participation	97,870,000	88.195	86,316,447
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 274,600,000	100.000%	\$ 274,600,000
SUBTOTAL, OVERLAPPING DEBT			\$ 14,024,709,763
City of Los Angeles General Obligation Bonds	\$1,039,680,000	100.000%	\$ 1,039,680,000
City of Los Angeles General Fund Obligations	1,291,521,414	100.000	<u>1,291,521,414</u>
TOTAL CITY OF LOS ANGELES DIRECT DEBT			\$ 2,331,201,414
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 16,355,911,177⁽²⁾

⁽¹⁾ Represents applicable amount of accumulated set-aside deposits for Qualified School Construction Bonds as of June 30, 2022, deducted from outstanding principal.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.; footnote 1 from Los Angeles Unified School District, Audited Annual Financial Report For Fiscal Year Ended June 30, 2021.

OTHER MATTERS

Seismic Considerations

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins of the area. This interaction poses a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault. The City generally does not maintain earthquake insurance coverage; see “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Environmental and Social Considerations

The change in the earth's average atmospheric temperature, generally referred to as "climate change," is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The City cannot predict the timing, extent, or severity of climate change and its impact on the City's operations and finances. Climate change may be a factor in the increased incidence of wildfire in the City and elsewhere in the County and the State. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City's operations and finances.

In January 2018 the City released a "Local Hazard Mitigation Plan" which identified a number of risks, provided an assessment of potential damage that might result from those risks, and identified certain mitigation strategies. Identified risks included earthquake, adverse weather, drought and flood. The plan also identified various ways in which such risks could be mitigated. The City currently expects to issue an update to the plan in 2023.

In addition, the City Council created a standing committee to review all matters relating to "Energy and Environment." The City has also created a Climate Emergency Mobilization Office within its Department of Public Works, which coordinates various City and community entities to implement equitable and just climate policies. The City has also hired a Chief Heat Officer, who will lead efforts to respond to extreme heat events and coordinate with various City departments and other agencies, given the understanding that heat-related deaths and hospitalizations disproportionately affect low-income communities.

Among the specific initiatives to enhance climate resiliency being undertaken by the City include various improvements to the City's wastewater treatment plants in order to recycle all their flow for beneficial use, construction of a series of groundwater remediation projects to further reduce the City's reliance on imported water and mitigate the impacts of prolonged drought, exploration of the use of specially designed "cool roofs" to manage the effect of rising temperatures in urban environments, and tests of the effects of "cool pavement" (a special coating applied to city streets) to manage urban temperatures. As part of the Fiscal Year 2022-23 Adopted Budget, the Bureau of Engineering was directed to develop and implement a plan for decarbonization of the City's facilities, and the Bureau of Sanitation was directed to see that the City adheres to global protocols in tracking and reporting on municipal greenhouse gas emissions.

The City has also taken various actions to address matters of social equity, including new programs to advance racial and economic justice; new models to help reimagine public safety; strategies to help keep streets clean and deliver city services more quickly; and investments intended to empower young people and place them on a path to success.

Among the areas where both environmental and equity considerations come into play are in the City's Capital Improvement and Technology Expenditure Program. Among the criteria used in prioritizing capital funding are resiliency and sustainability projects that improve public health and the environment through improved water resources, air quality, reduction in greenhouse gas emissions, and habitat protection and projects that contribute toward economic development and/or promote social equity to benefit underserved communities, including those with low-income households, low community engagement, and low mobility or access to transportation systems. See "BUDGET AND FINANCIAL OPERATIONS—Capital Program." In an effort to identify capital investments that work towards achieving the City's climate change mitigation, resilience, and sustainability goals, projects proposed for funding are labeled as Green Investments if they support climate goals as outlined in the Plan and are in alignment with the Green Bond Principles established by the International Capital Market Association. In addition, a Social Equity Index score has been identified for site-specific projects, with lower scores representing the most disadvantaged communities within the City. The intended social impact of a project is considered as part of the funding prioritization process.

Cybersecurity

The City relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the City and its departments face multiple cyber threats including hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attack disruptions on the City's computer system to date. For example, in 2019, the City experienced a cyber-attack that impacted a cloud-hosted system at a City department. The attack potentially involved certain personal information of about 20,000 applicants who went through the LAPD recruitment process. The City mitigated the attack and notified all the affected individuals immediately. The City installed web application firewall and endpoint protection system to quickly identify and respond to cyber-attacks targeted at the department web application systems.

In 2013, the City created the Cyber Intrusion Command Center (the "CICC") under a Mayoral Executive Directive to coordinate cybersecurity preparation and response across City departments. The CICC is comprised of key City departments, cybersecurity professionals, and local and federal law enforcement experts. The CICC has assisted the City in establishing policies for data classification, information handling, and cybersecurity prevention and response protocols. In 2015, the City established an Integrated Security Operations Center (the "ISOC") with cybersecurity professionals for cyber-attack monitoring and response. In addition, the City has identified critical data assets and applied additional cyber defenses through its Critical Asset Protection program. The City conducts cyber security awareness training for all City employees with computer access, conducts phishing email tests, and provides periodic cybersecurity newsletters and workshops to its employees. In 2017, the City consolidated and distributed a comprehensive Information Security Policy Manual with sections dedicated to City employees, City managers, and City technology professionals. Also, the City conducts annual "penetration tests" to identify and remediate any potential weaknesses in its networks and weekly cyber vulnerability scanning on City servers and websites accessible by the Internet. In 2020, the ISOC enabled secure remote access for approximately 18,000 City workers during the COVID-19 pandemic. The City implemented Multi-Factor Authentication and a single sign-on service, retiring outdated infrastructure and introducing a "Cybersecurity Risk Score" system for departments, providing general managers with a way to determine the level of Cybersecurity preparedness within their respective departments. In 2022, the City adopted Attack Surface Management ("ASM") to identify risks and established a comprehensive Cybersecurity Asset Management system, integrating ASM, Critical Asset Protection, and the Cyber Watchlist for robust cybersecurity.

No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Clean Water Compliance

General. The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing water quality standards. The CWA requires states to identify "impaired" water bodies and to develop a Total Maximum Daily Load ("TMDL") for each pollutant contributing to the impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA unless a permit is first obtained. The U.S. Environmental Protection Agency's ("EPA's") National Pollutant Discharge Elimination System ("NPDES") permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board ("LARWQCB").

On July 23, 2021, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 permit") Order No. R4-2021-0105, which became effective on September 11, 2021. The MS4 permit establishes TMDL pollutant limits that can be discharged into water while still meeting water quality standards and objectives. Eighty-four of the 88 cities in Los Angeles

County (including the City), the Los Angeles County Flood Control District (LACFCD), and the Counties of Los Angeles and Ventura are covered by this Regional MS4 permit. The City is currently subject to 22 TMDLs, encompassing a total of 192 pollutants, in the Los Angeles River, Ballona Creek, the Santa Monica Bay shoreline, Dominguez Channel, Marina Del Rey, and several lakes within the City. The City will likely become responsible for more TMDLs in the coming years. The TMDL compliance deadlines are spread out through 2037.

The MS4 permit allows the responsible agencies the option of working together to develop and implement Watershed Management Programs (“WMPs”) to address permit and TMDL requirements as long as the final compliance milestone has not passed. As the requirements of the MS4 permit cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the WMPs, which were initially approved by the LARWQCB in 2016 and now in 2023 have been conditionally approved after undergoing required revisions. It is currently anticipated that the LARWQCB will re-approve all the WMPs in the late summer or fall of 2023.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, under State law, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation and impose mandatory minimum penalties of \$3,000 per pollutant per day of violation. In addition, under federal law, the LARWQCB may seek civil liabilities of up to \$53,484 per pollutant per day, reflecting an increase in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Additionally, private citizens or the EPA can pursue penalties if the LARWQCB does not enforce a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the WMPs necessary to meet the current TMDL compliance deadlines and its minimum control measures established by the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit by using existing Stormwater Pollution Abatement Funds (primarily funded by a charge on property) and by implementing cost sharing agreements between other municipalities. Unless relief is granted, the City could potentially face fines for failing to meet the TMDL milestones that will take effect by 2026.

The City’s share of the costs of the approved WMP projects required to meet the TMDLs through 2037 is estimated to be approximately \$8 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided that the City’s projections are accurate.

One source of funding for these Clean Water costs will be from a special parcel tax approved by Los Angeles County voters. On November 6, 2018, Los Angeles County voters approved Measure W – The Los Angeles Region Safe, Clean Water Program (Measure W), a parcel tax of 2.5 cents per square foot of impermeable surface to support the costs of stormwater-related projects and activities. The tax has been collected on property tax bills countywide beginning in Fiscal Year 2019-20 and has generated approximately \$300 million per year to date. This program is administered by the LACFCD. Revenues are allocated to three sub-programs: municipal, regional, and administrative. Fifty percent of revenues are allocated for region-wide projects and are awarded on a competitive basis. Forty percent of revenues are allocated to municipalities in the same proportion as the amount of revenues collected within each municipality. The remaining ten percent is allocated to the LACFCD for implementation and administration of the Measure W Program. Eligible uses for revenues include projects that provide a water supply and/or quality benefit and a community investment benefit.

The City budgeted \$36.5 million from this source (municipal returns) in the Fiscal Year 2023-24 Adopted Budget and estimates \$36.5 million to be received in Fiscal Year 2024-25. In addition, the City competes for project funding from the Measure W Regional Program administered by the LACFCD. Under the regional program, the City (Bureau of Sanitation, Bureau of Street Services, and the Department of Water and

Power) has secured funding totaling \$200 million over the next five years for capital improvement projects, operations and maintenance, and scientific studies.

As the regional program progresses, the City anticipates approximately \$30 million to \$35 million annually in regional returns.

In November 2004, the City of Los Angeles voters passed Proposition O, the Clean Water General Obligation Bond, authorizing the sale of \$500 million in general obligation bonds to finance projects that protect public health by cleaning up pollution in the City's rivers, lakes, and beaches. To date, the City has issued \$439.5 million in general obligation bonds for Proposition O and has \$60.5 million remaining in authorized but unissued authority, and expects to leverage bond proceeds to support Measure W projects seeking regional funding.

Hyperion Water Reclamation Plant Sewage Spill. On July 11, 2021, the City's major wastewater treatment plant (the Hyperion Water Reclamation Plant (the "Plant")) Headworks screening facility experienced a major sewage spill. The Plant's relief system was triggered and sewage flows entered the Plant's one-mile outfall, discharging approximately 12.5 million gallons of untreated sewage into the Santa Monica Bay. The Plant suffered major damage to critical equipment and vehicles. Normal Plant operations resumed on October 22, 2021, following months of cleanup and restoration.

Several lawsuits (*Mecklenburg v. Hyperion Water Reclamation Plant, Abdelnur, Katarina et al. v. City of Los Angeles, Konig, Joshua v. City of Los Angeles, and Ace American Insurance v. City of Los Angeles*) have been filed against the City in connection with this incident. All the lawsuits have been determined to be related by the court. It is still too early in the litigation process to evaluate the likelihood of an unfavorable outcome to the City or the amount or range of potential liability. In addition, there are ongoing investigations and proceedings by governmental agencies in connection with this incident. On March 29, 2023, the Los Angeles Regional Water Quality Control Board filed an administrative complaint assessing a penalty of over \$21.7 million. The City is aware of other potential penalties proposed by regulatory agencies but discussions between the City and such regulatory agencies are still underway regarding the proposed penalty amounts. In addition, there may be other actions taken in connection with this incident and various potential consequences, including additional capital project investments required at the Plant and potentially other portions of the wastewater system. The City cannot at this time determine what the full financial impact of this incident will be, as the costs of various potential consequences are currently unknown; however, such costs could be substantial, including costs resulting from any litigation, fees and fines imposed as a result of regulatory agency actions, additional capital project investments, and potential loss of federal and state grants and loans. It is expected that any financial impact would be limited to the City's wastewater enterprise fund. The City, nonetheless, cannot provide any assurances that this incident and resulting matters would not have an impact on the General Fund.

General Fund Subsidy of Solid Waste Activities

Currently, the City's solid waste resources fees do not fully support the solid waste operations. The total General Fund subsidy related to the City's solid waste operation budgeted for Fiscal Year 2023-24 is \$68.2 million, which includes General Fund subsidies for the Solid Waste Resources Revenue Fund (\$64.7 million), Multi-Family Bulky Item Revenue Fund (\$2.6 million), and the Citywide Recycling Trust Fund (\$0.9 million).

Unless recovered through increased solid waste resources fees, solid waste collection, processing and disposal costs in excess of revenues and other available funds would be borne by the City's General Fund.

Costs payable from the Solid Waste Resources Revenue Fund have increased in large part due to recently effective requirements requiring the composting of certain organic materials. Beginning January 1, 2022, State law (SB 1383) implements requirements for the reduction of organic waste disposal (e.g., food waste, green waste, paper products) by 75 percent by 2025 (from 2014 levels). In response, in January 2023, the Bureau

of Sanitation expanded the organic waste collection and composting program from 40,000 households to all 735,000 households serviced by the Bureau of Sanitation. Due to the more intensive processing costs of composting comingled organics, the cost has increased from an average of \$60 per ton in Fiscal Year 2021-22 to an average of \$125 per ton.

General Fund Subsidy of Other Special Fund Activities

While it is the City's goal that its special funds fully reimburse the General Fund for all direct expenditures and related costs associated with their programs, there are a number of cases where the General Fund subsidizes such activities. The amount of such subsidies is reported annually as part of the City's budget process. The total amount of subsidies estimated in the Fiscal Year 2023-24 Adopted Budget totals \$296.7 million (which includes the subsidy related to solid waste collection, processing and disposal described above).

In addition to the solid waste subsidy described above, the largest of such General Fund subsidies are for programs that have long received General Fund appropriations to supplement their limited special funding. Fiscal Year 2023-24 funding includes \$103.9 million to supplement special fund revenues for the Department of Recreation and Parks, \$21.2 million to subsidize certain planning and land use applications, and \$16.6 million to supplement revenues collected through the City's Stormwater Pollution Abatement Charge. Two other major expenses reported as a General Fund subsidy are \$21.5 million to support the Los Angeles Zoo, and \$11.8 million in overhead costs associated with the use of state gas tax funds, which are appropriated to various departments to finance eligible street improvements.

Another program that may require subsidy in the future is the City's transit operations, which are funded from the City's share of Los Angeles County Metropolitan Transportation Authority Proposition A sales tax receipts. The required level of funding of City-financed transit service is estimated to be approximately \$274 million annually and the annual ongoing revenue within the Proposition A Local Transit Assistance (Proposition A) Fund is projected to be approximately \$197 million, resulting in a structural deficit of approximately \$77 million annually. While the Fiscal Year 2023-24 Adopted Budget is balanced by the use of available balances in the Proposition A Fund, the City is updating a Transit Services Analysis to be considered by the Mayor and Council that will include options to resolve the ongoing structural deficit in future years. One of those options may include General Fund appropriations.

2028 Olympic and Paralympic Games

The City has been selected by the International Olympic Committee ("IOC") as the host city for the 2028 Olympic and Paralympic Games ("2028 Games"). The local host committee is named the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA 2028"). As a condition of the City's selection, the City entered into a Host City Contract ("HCC") with the United States Olympic Committee ("USOC") and the IOC that identifies contractual commitments of the parties relating to insurance, indemnification, event requirements, operations, deliverables, efforts to cooperate, and financial obligations of the parties. The HCC includes an advance payment from the IOC in the amount of \$180 million paid over five years to LA 2028 to support operations.

Independent from the City, LA 2028 has developed a 2028 Games budget of \$6.88 billion, the entirety of which is funded by non-City revenue sources. The 2028 Games budget is subject to change and may be impacted by the value of sponsorships, ticket sales and hospitality, licensing and merchandising, and cost escalation. The 2028 Games budget anticipates the use of existing venues, facilities, and infrastructure and does not anticipate it will be necessary to construct new permanent venues or extensive capital projects specific to hosting the 2028 Games. Further, the 2028 Games budget assumes federal support for public safety in accordance with the anticipated designation of the 2028 Games as a National Special Security Event.

In adopting the HCC, the City has guaranteed that it will cover any potential financial shortfall of LA 2028 in its delivery of the Games, including potential refunds to the IOC of any advance payments to LA 2028

by the IOC in the event of a contingency such as a full or partial cancellation of the Games. To mitigate the City's financial risk associated with the 2028 Games budget and its HCC guarantee to cover financial shortfalls, a Games Agreement was established to memorialize the relationship, roles and responsibilities between the City and LA 2028. The Games Agreement specifies several financial and risk management protections to the City, reporting and transparency requirements, and other actions governing administration of the 2028 Games, including but not limited to:

- City representation on the LA 2028 Board of Directors;
- the requirement for written consent of the City to modify the Games venue plan and for any financial commitments and guarantees of City funds related to the 2028 Games;
- the agreement by LA 2028 to reimburse the City and other municipalities for the incremental cost of performing enhanced municipal services (e.g., police, fire, sanitation, traffic control, and parking enforcement) in support of the 2028 Games;
- the establishment by LA 2028 of an Allocated Contingency account of \$270 million, whereby LA 2028 will make allocations to this account on a periodic basis beginning in 2024 until a cumulative balance of \$270 million is reached in 2029 and which may only be utilized, with the City's prior written consent, to cover expenditures in the event that other actual or projected LA 2028 revenues are not available therefor;
- the requirement for LA 2028 to obtain insurance policies at its own expense, to include the City as an additional insured, and to incorporate contractual indemnification language into any venue use agreements it executes; and
- the agreement by LA 2028 that it shall not seek funds from the City to defray any financial deficit associated with the 2028 Games unless and until LA 2028 funds are fully expended and exhausted, LA 2028 has made commercially reasonable efforts to obtain full coverage for covered claims from all valid and collectible liability insurance policies it has procured, and LA 2028 has made commercially reasonable efforts to recover funds from all third parties who owe payments to LA 2028.

Other cities that hosted the Olympic Games and the Paralympic Games have incurred significant financial obligations. While, as described above, the City currently expects that costs of the 2028 Games will be paid from non-City revenues sources, there can be no assurances that significant General Fund expenditures will not be required.

Public Corruption Matters

As part of an on-going public corruption investigation of City elected officials and staff members conducted by the Federal Bureau of Investigations and the United States Attorney's Office, two City Councilmembers were indicted, resigned or suspended from the City Council, and have plead guilty. Mitchell Englander resigned his City Council seat in December 2018 and pled guilty in connection with the investigation in June 2020. Mr. Huizar was suspended from office in June 2020 and plead guilty in January 2023. Eight additional defendants have been charged as a result of the federal investigation, including two former officials of the City, one of whom has plead guilty. The City cannot predict the outcome of these investigations.

On June 13, 2023, the Los Angeles County District Attorney charged Curren D. Price, Jr., a member of the City Council, with two counts of conflict of interest in violation of California Government Code Section 1090(a), three counts of perjury, and five counts of embezzlement of government funds. The criminal complaint alleges that: (a) Delbra Richardson (or Del Richardson), Mr. Price's purported spouse, received payments totaling approximately \$160,000 between 2019 and 2021 from developers before Mr. Price voted to approve projects; (b) Mr. Price failed to list certain payments allegedly received by Delbra Richardson on government disclosure forms; and (c) Mr. Price fraudulently received about \$33,800 in medical coverage premiums for Delbra Richardson between 2013 and 2018 before she was legally his wife. The matter remains under investigation by the District Attorney's Bureau of Investigation. The City cannot predict the outcome of this investigation.

Hotel Initiative Petition

In July 2022, an initiative petition was qualified to submit a proposed ordinance to a vote of the electors of the City at the March 2024 election. The proposed ordinance, if passed by the voters, would require, among other things and subject to certain exemptions and waivers, a hotel development project of 100 or more rooms to obtain a land use permit based on factors including the market demand for the project and the project's impact on affordable housing, transit, social services, employees, and local businesses, a hotel development project of 15 or more rooms to replace demolished or converted housing with an equivalent amount of affordable housing at or near the project site, and special police permits for hotels. The proposed ordinance would also create a program, subject to funding availability, to place unhoused individuals in vacant hotel rooms, and hotels would be prohibited from refusing lodging to program participants. The proposed ordinance would create a "Hotel Voucher Program" that would require the City Housing Department to administer a program that uses pre-paid vouchers to place unhoused individuals and families in vacant rooms in hotels or similar establishments. The proposed ordinance has no designated source of funding. The City would be required under the proposed ordinance to pay fair market value or a price negotiated between the Housing Department and the hotel and to waive transient occupancy taxes on persons who pay for a hotel room through this Hotel Voucher Program.

The City cannot currently predict the impact that passage of the proposed ordinance would have on the General Fund, but there can be no assurances it will not result in increased costs, reduced transient occupancy tax revenues or other consequences.

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. See "BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program." The following list of certain recently completed, pending or threatened lawsuits and proceedings involving the City was prepared by the Office of the City Attorney, and includes matters that, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund's financial position.

1. Federal Accessibility Law Matters.

False Claims Act Claim

The City Attorney was advised by letter, dated November 30, 2011, that the Civil Fraud Section of the U.S. Department of Justice was investigating whether the City allegedly violated the False Claims Act ("FCA") in connection with certain federal accessibility law compliance certifications to the U.S. Department of Housing and Urban Development ("HUD").

On June 7, 2017, the U.S. District Court of the Central District of California released its order announcing DOJ's election to intervene, on behalf of two private parties pursuing litigation against the City for FCA violations arising out of such certifications and other state common law claims against the City.

If the DOJ is successful in its suit, the City could face potential exposure to treble damages calculated based on the City's receipt of Community Development Block Grant ("CDBG"), HOME Investment Partnership, and Housing Opportunities for People with AIDS ("HOPWA") funds from February 2005 through August 2019, as well as related civil penalties, which, based on the private parties' original complaint, is estimated to be approximately \$3 billion. However, the City disputes (1) any assertion that, as a matter of law, the City's certifications signed as part of these entitlement programs are subject to the FCA; (2) that any conduct by the City otherwise met the high standard for imposing FCA liability; (3) that there is a factual basis for treble damages calculated from the total of these receipts, even if the Court otherwise found the City liable; and (4) that

there is any legal basis for DOJ to bring the state common law claims against the City. The City is vigorously defending its interests in this matter. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

HUD Investigation

During three visits in late 2011, HUD's Office of Fair Housing and Equal Opportunity ("HUD FHEO") purportedly reviewed the City's compliance with the Americans With Disabilities Act ("ADA") and other federal accessibility laws as part of HUD FHEO's oversight of the City's receipt of federal funds from HUD, which the City uses to fund housing developments.

On August 2, 2019, the City and HUD entered into a Voluntary Compliance Agreement ("VCA"). The VCA addresses the same alleged deficiencies and conduct underlying DOJ's claims against the City in connection with its compliance certifications under the FCA. Under the VCA, the City committed to spend no less than \$20 million per year for the next ten years to correct accessible deficiencies in its City funded housing developments to the extent such remediation costs are not covered under the Independent Living settlement discussed below. As a result of the City's execution of the VCA, the Civil Rights Division of DOJ has notified the City that it has terminated its investigation of the City's alleged noncompliance with federal accessibility laws.

Independent Living Center of Southern California, et al. v. City of Los Angeles

This case was brought by three fair housing advocacy organizations against the City, CRA/LA, and 34 owners of affordable housing projects. The City settled the matter with the plaintiffs on August 30, 2016. Under the terms of the settlement, the City will spend approximately \$200 million dollars over 10 years to provide 4,000 additional housing units compliant with federal accessibility requirements. To reach this goal, the City will either remediate existing housing units that are not currently in compliance with federal accessibility requirements or construct new housing units compliant with federal accessibility requirements. The City also agreed to pay the following: (a) \$4.5 million in damages to the plaintiffs, (b) \$16 million in attorneys' fees, (c) approximately \$750,000 in plaintiffs' attorneys' costs, and (d) \$6,000,000 in court appointed monitor fees. The terms under this settlement agreement largely overlap with the construction and remediation obligations, required of the City under the VCA described above. However, to account for additional costs associated with the monitoring of the terms of the settlement, in late 2019 the court required the parties to meet and confer on increasing these fees. In October 2020, the City Council approved an additional increase in the court-appointed monitor fee of \$606,000 for the initial three years of the ten-year settlement term. The cost of this increase to the City is partially offset by \$427,000 in savings from Fiscal Year 2018-19. In October 2020, the City Council also approved an additional \$3,578,000 in attorneys' fees for monitoring the last seven years of the settlement term. This amount has been increased by an additional \$1.55 million for Fiscal Year 2022-23 with the addition of a new monitor.

2. Clear Channel Outdoor, Inc.

Clear Channel filed a Claim for Damages, dated February 1, 2018, for an amount in excess of \$100 million arising from a federal appellate court decision invalidating a settlement agreement between the City and certain outdoor advertising companies (the "Summit Media Decision"). The claim alleges: (i) violation of the City's representations and warranties in the settlement agreement that the conversions of its existing signs to digital technology did not violate the City's regulations, and that (ii) just compensation is due under the California Outdoor Advertising Act. The City denied the claim by letter dated March 1, 2018. The parties' most recent tolling agreement extension expired on February 1, 2023; as a result, the statute of limitation started to run on February 1, 2023.

3. CBS Outdoor.

CBS Outdoor filed a Claim for Damages on May 13, 2013, for an amount stated to be in excess of \$1 million arising from the Summit Media Decision, for damages, lost revenue, attorneys' fees, restitution and costs. The City denied the Claim by letter dated June 8, 2013. The parties' most recent tolling expired on January 1, 2020. CBS Outdoor has four years to file suit. A suit has yet to be filed.

4. Brewster v. City of Los Angeles.

On or about November 2, 2014, plaintiffs filed a putative class action in Federal District Court for damages pursuant to 42 U.S.C. § 1983. The complaint alleged that the City violated the plaintiffs' rights under the Fourth Amendment of the U.S. Constitution, and related state laws, by impounding vehicles without a warrant for 30 days pursuant to Vehicle Code section 14602.6.

On December 26, 2014, the City filed a motion to dismiss the plaintiffs' complaint. The Federal District Court granted the City's motion to dismiss the complaint on March 19, 2015. Plaintiffs appealed the Federal District Court's dismissal to the Ninth Circuit Court of Appeals. On June 21, 2017, the Ninth Circuit Court of Appeals reversed the District Court's decision to dismiss the complaint. The City sought review of the Ninth's Circuit's decision with the U.S. Supreme Court. On March 19, 2018, the U.S. Supreme Court denied the City's request. The District Court heard arguments on the motion for class certification on September 21, 2020. On August 5, 2021, the District Court granted plaintiff's motion for class certification in part and denied the motion in part. The District Court certified two classes and denied the certification of a third. Plaintiffs filed a motion of reconsideration with respect to the third class on August 17, 2021. The City, in turn, filed a motion to contesting the certification of the third class and certification of the other two classes. On July 27, 2022, the District Court denied both Plaintiffs' motion to certify the third class and City's motion to decertify the other two classes. Following the filing of the parties' respective motions for summary judgment, on May 9, 2023, the District Court issued an order granting in part and denying in part the City's motion for summary judgment and granting plaintiffs' motion for summary judgment. In granting the plaintiffs' motion for summary judgment, the District Court held that the City violated the plaintiffs' rights under the U.S. and California Constitutions. Although the District Court did not issue a judgment, liability is probable. Based on the District Court's May 9 order, the plaintiffs will again be moving to certify the third class and it is possible the District Court will now grant that motion. If the third class is certified, the City's estimable liability could be approximately \$75 million. The City has every expectation to appeal any adverse judgment issued by the District Court.

5. Blue Cross of America v. City of Los Angeles.

On March 30, 2017, Blue Cross filed a protective tax refund complaint of business taxes paid for tax year 2015, under Article XIII, Section 28 of the California Constitution. In October 2017, Blue Cross filed a supplemental claim (together with the 2017 complaint, the "Blue Cross Action") seeking additional refunds of business taxes paid for tax years 2016 through 2023, inclusive. Blue Cross' protective refund action arises out of a separate action in Los Angeles County Superior Court, entitled *Michael D. Myers v. State Board of Equalization, et al. (BS143436)*. *Myers* proceeded under a California statute that permitted an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law.

One of the issues to be resolved in *Myers* is whether Blue Cross is an "insurer" for purposes of California tax law and therefore required to pay a gross premiums tax in lieu of a corporate franchise tax. Following an adverse appellate court ruling, which concluded that the matter should be first adjudicated at the trial court, on April 2, 2019, Blue Cross filed a request to the California Supreme Court to resolve the question of whether Blue Cross is an "insurer" under the California Constitution. The California Supreme Court denied the appeal on May 15, 2019. Due to COVID-19, the trial was rescheduled from July 2020 to January 2021. On February 21, 2021, the trial court, in a judgment, determined that Blue Cross was not an "insurer." On March 21, 2021, the plaintiffs filed a notice of appeal. The plaintiffs' appeal was denied and the matter is before the trial court for

further pleadings. In the event that Blue Cross is determined to be an “insurer” upon final adjudication of the issue, it would likely be entitled to a refund of previously paid City business taxes. The refund is estimated to be approximately \$73 million (inclusive of interest), as computed through the end of 2023, plus attorney’s fees.

6. *Apartment Owners Association of Ca. v. City of Los Angeles.*

On September 27, 2017, the plaintiffs filed a class action claim in Superior Court alleging the franchise fee collected by the City from private commercial waste haulers for the rights to service commercial and multi-family buildings should be treated as taxes under Proposition 218, and therefore require voter approval. The plaintiffs asserted two causes of action: (1) a refund of the franchise fees, and (2) a declaration that the franchise fees are taxes. On November 2, 2020, the City filed a motion for summary judgment on both causes of action; that same date, the plaintiffs filed a motion for summary adjudication of the second cause of action. On March 16, 2021, the Court granted the City’s motion for summary judgment, holding that the plaintiffs lacked standing to bring both causes of action. On the same date, the Court also denied the plaintiffs’ motion for summary adjudication. On April 6, 2021, judgment was entered in the City’s favor. On June 2, 2021, the plaintiffs filed a notice of appeal. Oral argument took place on December 8, 2022. On December 28, 2022, the Court of Appeal reversed the judgment, relying on a recent California Supreme Court decision in *Zolly v. City of Oakland* (2022) 13 Cal.5th 780, which addressed a similar challenge to waste hauling franchise fees paid to the City of Oakland. In *Zolly*, the California Supreme Court found that the plaintiffs had standing to challenge the franchise fees. The Court of Appeal expressed no opinion on the underlying substantive issues, and the matter was remanded back to Superior Court for further adjudication. Due to the unsettled nature of the law, an assessment of liability, if any, is difficult to ascertain. However, if the City loses, it could be required to pay back all franchise fees collected to date by the General Fund, and to cease collection of the franchise fees going forward. From Fiscal Year 2016-17 through Fiscal Year 2021-22, the City collected approximately \$220 million in these franchise fees. The City expects to continue to collect approximately \$45 million annually of these franchise fees during the pendency of the litigation, the timeframe of which remains uncertain. See Table 13 under the caption “MAJOR GENERAL FUND REVENUE SOURCES.”

7. *LA Alliance for Human Rights et al. v. City of Los Angeles et al.*

On March 10, 2020, the plaintiffs filed suit against the City and the County of Los Angeles (“County”) for violating various State and Federal laws in connection with homeless individuals. The plaintiffs contend that the County and the City have not made sufficient progress in providing housing and other services to the homeless population. Such failure has allegedly resulted in impassable sidewalks and exposed the public to health risks, environmental hazards, increased crime, and untreated mental illness and addiction. The plaintiffs demand that the Defendants provide immediate shelter for all homeless individuals to abate the degradation of the cities and communities.

On May 15, 2020, the US District Court of Central District of California (“District Court”) issued a preliminary injunction requiring the City and the County to relocate and shelter approximately 6,000 to 7,000 homeless individuals living near freeway overpasses, underpasses, and ramps. Of that number, approximately 3,000 to 4,000 were found in the City. Under the order, the City, together with the County, were required to shelter or provide alternative housing to these homeless individuals in facilities that were safe, humane, hygienic, and public health compliant. The injunction was to be effective on May 22, 2020. The District Court stayed its order on May 22, 2020 pending the review of an alternative shelter and relocation plan submitted by the City and County. On June 18, 2020, the City and County entered into an agreement to memorialize an alternative shelter and relocation plan, subject to court approval and monitoring. Under the agreement, the City agreed to provide 6,700 shelter beds, permanent supporting housing units, safe parking spaces and other interventions (collectively, “beds” or “interventions”) to shelter homeless individuals. Of that number, 6,000 would be additional new beds to be available from the date of the agreement, as follows: 5,300 beds within 10 months and 700 beds within 18 months. On June 18, 2020, the District Court approved the agreement and vacated the preliminary injunction. By December 31, 2021, the City had opened 6,566 new beds and 754 other interventions from existing agreements, and as of March 31, 2023, 6,581 new beds and 792 other interventions from existing

agreements are open and occupiable. Under the agreement, the County has agreed to pay up to \$60 million in annual service funding, totaling up to \$300 million over the five-year agreement term, based on the number of interventions opened and occupied within 60 days of July 1 each year for part the annual cost of operations and services for this population. The City has committed to fund the remaining annual operations and services costs.

On April 1, 2022, the City and the plaintiffs filed a notice with the District Court indicating they had reached a potential settlement framework. Under the proposed settlement, the City would agree to create shelter or housing to accommodate 60 percent of unsheltered persons experiencing homelessness (“PEH”) in the City. As in the City’s June 18, 2020 settlement, the City may choose, at its sole discretion, any housing or shelter solution, including but not limited to tiny homes; shared housing; purchased or master leased apartments, hotels/motels, or other buildings; congregate shelters; permanent supporting housing; rental assistance/rapid rehousing; family reunification; sprung structures or tents; safe parking; safe sleeping/camping; interim housing, etc. The 60 percent of PEH will be measured against the Los Angeles Homeless Services Authority (“LAHSA”), a joint powers authority formed by the City and the County, 2022 Point In Time Count of those unsheltered PEH in the City who can reasonably be assisted by the City (meaning such persons do not suffer from serious mental illness and are not chronically homeless with a substance use disorder or chronic physical illness or disability requiring the need for professional medical care and support). Based on LAHSA’s 2022 count, such proposed settlement framework will require approximately 13,000 new interventions (e.g., interim housing beds, time-limited subsidies, permanent supportive housing units, etc.) for which total capital and operating costs could be as high as \$3 billion during the five year period. Such estimates do not include the beds that were agreed to be provided, or related costs, under the City’s June 18, 2020 agreement. On June 14, 2022, the District Court issued a ruling approving the proposed settlement between the City and the plaintiffs. In its order, the District Court retained jurisdiction for a period of five years to enforce the terms of the settlement and appointed a special master to assist the District Court to monitor and enforce the terms of the settlement. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal of the District Court's Order approving the stipulated dismissal and proposed settlement between the City and Plaintiffs. The Parties are briefing the matter and oral arguments, if scheduled, will proceed on a date not yet determined after the briefing is fully submitted.

The majority of the funding needed under this settlement, if upheld, is expected to be provided by the City’s Proposition HHH general obligation bonds and other available funding. Any additional financing that would be needed has yet to be identified, but could come from other government sources including the County, State, and federal agencies.

8. *GHP Management et al. v. City of Los Angeles et al.*

On August 27, 2021, the City was served with a lawsuit, in District Court, that alleges that the City’s COVID-19 eviction moratorium constituted an uncompensated governmental taking in violation of the U.S. and California Constitutions. The moratorium, plaintiffs claim, has permitted their tenants to abstain from remitting any rental payments while continuing to reside in the rental units. They seek damages in the form of unpaid rents, interest, and attorneys’ fees. The City filed a motion to dismiss the complaint on October 18, 2021, and a hearing for the motion was heard on January 24, 2022. On November 18, 2022, the court granted the City’s motion to dismiss the complaint with leave for the plaintiffs to amend. The plaintiffs appealed and the parties are briefing the matter. Oral arguments would likely be scheduled in late 2023.

9. *Black Lives Matter et al. v. City of Los Angeles et al.*

On or about July 7, 2020, the City was served with a class action lawsuit alleging that the Los Angeles Police Department violated the Federal and State Constitutional rights of protestors and rioters during its response to quell civil unrest in late May and early June 2020. The protests and riots were part of the nationwide movement following the deaths of George Floyd, from the actions of four officers of the Minneapolis Police Department, and Breonna Taylor, shot by Louisville Metro Police Department officers. The lawsuit was filed in Federal District Court. The lawsuit seeks class certification, injunctive relief and unspecified damages. The

court issued an injunction against the City which limited LAPD's use to less lethal munitions in public protest situations. Due to the preliminary nature of the lawsuit, an estimable liability amount cannot be determined. However, in the event of an adverse ruling, the City's liability may be approximately \$50 million.

In addition to the cases listed above, the following lawsuit has been filed challenging the City's actions relative to freezing OPEB Benefits for sworn employees. See "RETIREMENT AND PENSION SYSTEMS—Los Angeles Fire and Police Pension Plan," below.

1. *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles.*

In this case plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Board of Fire and Police Pension Commissioners (the "Board") to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court to resolve disputed factual issues. A bench trial occurred from September 26 to September 28, 2016. Following the bench trial, the court issued a tentative decision in favor of the plaintiffs. In November 2016, the trial court ruled in favor of the plaintiffs' claim with respect to the medical subsidy. The City appealed the trial court ruling. On October 30, 2018, the appellate court reversed the trial court and ordered that the case be remanded for a new trial.

On August 10, 2017, the Los Angeles Police Protective League filed an additional lawsuit against the LAFPP Board and the City in Los Angeles County Superior Court. The complaint, as supplemented, alleges that the Board should have raised the retiree subsidy to the maximum amount of 7 percent for the fiscal year beginning July 1, 2017, rather than the 6 percent then awarded and for the fiscal years thereafter. This case has been consolidated with the case discussed above. In October 2021, the court conducted a three-day trial. On May 2, 2022, the court ruled that the letter of agreement did not require the City (through the LAFPP Board) to grant the unions the maximum possible increase in the retiree medical subsidy. Rather, the LAFPP Board retained the discretion on the amount of any increase. LAFPP filed a notice of appeal. The appeal should be heard sometime in 2023. Notwithstanding, the second case concerning whether the LAFPP Board abused its discretion in the years it did not grant the maximum possible increase has been stayed by the trial court pending the appeal of the trial court's ruling on the discretionary increase question. The timeframe in which the discretion issue will be adjudged will be dependent upon the outcome of the appeal. If LAFPP is successful in its appeal, a new trial may result and render the discretion issue moot.

RETIREMENT AND PENSION SYSTEMS

General. The City has three single-employer defined-benefit pension plans created by the Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("LAFPP") and, for employees of DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan"). Both LACERS and LAFPP (collectively, the "Pension Systems") are funded primarily from the City's General Fund, while the Water and Power Plan is funded by that department's proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll). Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as "Other Post-Employment Benefits" ("OPEB"). The City began making payments to its Pension Systems to pre-fund OPEB obligations in the late 1980s. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems'

retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical cost inflation specific to OPEB.

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems' annual valuations determine the contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former and retired employees and their beneficiaries.

Various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary increases, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on these assumptions. The contribution rates in the following year's valuations are adjusted to take into account actual plan experience in the current and prior years.

Each plan also generally performs an experience study every three years, comparing the plan's actual experience to the demographic assumptions previously adopted by its board. Based on the plan's experience, the board may adopt the actuary's recommendations to adjust various assumptions such as retirement rates, mortality, termination rates, and disability incidence rates in calculating its liabilities. Additionally, the experience study will review each plan's economic assumptions and the actuary may recommend adjustments based on future expectations for items such as general inflation, participant salary increases, and the plan's future expected rate of investment return. These economic assumptions are also adopted by each plan's board.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, "smooth" market value gains and losses over a period of years to reduce contribution volatility. These smoothing methodologies may result in an actuarial value of assets that is lower or higher than the market value of assets at a given point in time.

The Actuarial Standards Board, the organization that sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice, approved the new Actuarial Standard of Practice No. 51 ("ASOP 51"), effective as of the June 30, 2019 actuarial valuations. ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition" (referred to as a "Risk Report").

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of alternative earning scenarios from investments. Since the funded ratio, UAAL, and the employer contribution rates have fluctuated as a result of deviation in investment experience in past valuations, the Pension Systems' actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan by evaluating the potential for and impact of actual contributions deviating from expected contributions in the future. The Risk Reports for both Pension Systems noted that the City has a well-established practice of making the Actuarially Determined Contribution. As a result, in practice both Pension Systems have been found to have essentially no contribution risk.

In the Risk Reports, the actuary noted that each Pension System had strengthened their respective actuarial assumptions over time in part by lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

The Risk Reports also note that both of the Pension Systems have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members employed by the City and by an increase in the ratios of plan assets and liabilities to active member payroll. The actuary expects these trends to continue going forward. Any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members; as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes.

In addition, in December 2021 the Actuarial Standards Board finalized and adopted changes to Actuarial Standard of Practice No. 4, *Measuring Pension Obligations and Determining Plan Costs or Contributions* (“ASOP 4”). ASOP 4 adds significant disclosure requirements for all actuarial valuations issued on or after February 15, 2023, including a requirement to calculate and disclose a new market-based liability measurement called the Low-Default-Risk Obligation Measure (“LDROM”). Under the revised ASOP, the LDROM may be determined in a manner similar to the Actuarial Accrued Liability (“AAL”) that is commonly used in public sector plan funding, but with a key difference: instead of basing the discount rate on the plan’s expected rate of return (as is done in determining the AAL), the LDROM must use discount rates derived from “low-default-risk fixed income securities.” Examples of these rates include U.S. Treasury yields and yields on high-rated corporate or tax-exempt general obligation municipal bonds. Public pension plans, including LACERS and LAFPP, typically invest in a diversified portfolio including stocks, bonds, real estate and private equity, and funding calculations are based on the expected return of that portfolio. The new disclosure requirement, which will be incorporated with LACERS’ and LAFPP’s June 30, 2023 valuations, does not change this approach for funding the plans but provides additional information on what the liability measurement would be if the plans were to adopt an all-bond investment strategy.

Each of the Pension Systems has adopted its own asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives, and cash equivalents. Each plan reviews its asset allocation plan periodically and any adjustments are approved by the respective boards.

The City has never issued pension obligation bonds to fund either of its Pension Systems but may consider it in the future. The City typically pays all of its annual contributions to its Pension Systems in July at a discount, out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, “RETIREMENT AND PENSION SYSTEMS,” is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the “Notes to the City’s Basic Financial Statements” in the City’s ACFR for the Fiscal Year Ended June 30, 2022.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is “forward- looking” information. Such “forward-looking” information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees,

and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS"). LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP and those Airport Peace Officers not participating in LAFPP. As of June 30, 2022, the date of its most recent actuarial valuation, LACERS had 24,917 active members, 22,399 retired members and beneficiaries, and 10,379 inactive members (members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75 percent to 7.50 percent in 2014, to 7.25 percent in 2017, and to 7.0 percent in 2020. This most recent change in the investment return assumption represents one of many assumption changes recommended in an experience study dated as of June 17, 2020; other changes included the decrease in the inflation assumption from 3.00 percent to 2.75 percent, an increase in the merit and promotion salary increase assumption, and changes in the mortality assumption. Together, these changes increased the City's retirement contribution rate by 3.32 percent of payroll and the retirement UAAL by \$530.7 million. (These changes also increased the City's contribution rate for OPEB by 0.62 percent.)

In June 2023, the LACERS Board considered a new experience study and adopted a number of changes to actuarial assumptions, including reducing the assumed inflation from 2.75 percent to 2.50 percent while maintaining the assumed rate of return at 7.00 percent. The City's actuarial consultant estimated that the City contribution rate will increase by 0.45 percent of payroll as a result of these changes. The new assumptions will be used in the June 30, 2023 actuarial valuation, which will determine the City's contribution rate for Fiscal Year 2024-25. This increase will be partially offset by the impact of the LAFPP assumption changes adopted in May 2023.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate fixed amortization periods. Under current funding policy, market losses and gains are recognized over a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years. Other factors that affect the calculation of unfunded liability, including early retirement incentives, plan amendments, changes in assumptions and other actuarial gains and losses will be amortized over terms that range from 5 to 30 years.

LACERS' Board uses a market value "corridor" of 40 percent. A corridor is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40 percent corridor, the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

In 2012, the Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new "Tier 3." Based on the actuarial valuation as of June 30, 2022, approximately 67 percent of the system's active membership was Tier 1 members and 33 percent was comprised of Tier 3 members.

The following table includes a summary of the major plan design changes from Tier 1 to Tier 3.

**Table 43
COMPARISON OF LACERS TIER 1 AND TIER 3 PLAN DESIGNS**

<i>Plan Feature</i>	<i>Tier 1⁽¹⁾</i>	<i>Tier 3</i>
Normal Retirement (Age / Years of Service)	55 / 30 60 / 10 70 / Any	60 / 30 60 / 10
Early Retirement (Reduced)	55 / 10 Under 55 / 30	Under 60 / 30
Benefit Factors	Normal Retirement 2.16% per year of service	Normal Retirement 1.5% @ 60 / 10 2.0% @ 60 / 30
	Early Retirement Reduced by 3% per year before age 55; and 1.5% per year from ages 55-59	Early Retirement Reduced by 10.5% at age 54, plus an additional 3% reduction for every year below the age of 54; unreduced from ages 55 to 59
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including pensionable bonuses	Highest consecutive 36 months, including pensionable bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program (ERIP) Employee Contribution	1% until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Government Service Buyback	Member pays employee contributions	Member pays employee and employer contributions, except for limited military or maternity leave time. Service purchase may not cause member's service retirement allowance to exceed eighty percent of final compensation.

⁽¹⁾ Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.
Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows the actuarial value of the City’s liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 44
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>UAAL as a Percentage of Covered Payroll⁽⁵⁾</i>
2013	\$10,223,961	\$14,881,663	\$4,657,702	68.7%	\$1,846,970	252.2%
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1
2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7
2022	17,649,268	24,078,751	6,429,483	73.3	2,258,725	284.7

- (1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
- (2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.
- (3) Actuarial Value of Assets divided by Actuarial Accrued Liability.
- (4) Projected annual pensionable payroll for members of LACERS.
- (5) UAAL divided by covered payroll.

Source: Los Angeles City Employees’ Retirement System Actuarial Valuation reports.

For the Retirement Plan, the contribution rate generally increased between the June 30, 2012 and the June 30, 2022 valuations, from 21.3 percent to 30.4 percent, primarily due to the amortization of UAAL increases from unfavorable investment experience and changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by plan changes (the introduction of Tier 3) as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (becoming 4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For the Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact of modestly declining contribution rates, from 5.7 percent in 2012 to 4.1 percent in 2022.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 45
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Liability⁽²⁾</i>	<i>Funded Ratio (Market Value)⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</i>
2013	\$10,154,486	\$14,881,663	\$4,727,177	68.2%	\$1,846,970	255.9%
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6
2021	18,918,136	23,281,893	4,363,757	81.3	2,254,165	193.6
2022	17,013,091	24,078,751	7,065,660	70.7	2,258,725	312.8

- (1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.
(3) Market Value of Assets divided by Actuarial Accrued Liability.
(4) Projected annual pensionable payroll for members of LACERS.
(5) Unfunded liability divided by covered payroll.

Source: Calculated based on data from Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The table below shows the actuarial funding progress of LACERS' liability for healthcare benefits:

Table 46
LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
(\$ in thousands)

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽¹⁾</i>	<i>Funded Ratio⁽²⁾</i>	<i>Covered Payroll⁽³⁾</i>	<i>UAAL As a Percentage of Covered Payroll⁽⁴⁾</i>
2013	\$1,734,733	\$2,412,484	\$677,751	71.9%	\$1,846,970	36.7%
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4
2022	3,472,956	3,580,696	107,741	97.0	2,258,725	4.8

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

(2) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(3) Projected annual pensionable payroll against which UAAL amortized.

(4) UAAL divided by Covered Payroll.

Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

The table below summarizes the City's payments to LACERS over the past four years and payments included in the Fiscal Year 2023-24 Adopted Budget. This table includes costs for contributions for both pensions and retiree health care.

Table 47
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)⁽¹⁾

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Adopted Budget 2023-24</i>
Sources of Contributions					
Contributions for Council-controlled Departments ⁽²⁾	\$ 559,299	\$ 532,833	\$ 601,450	\$ 636,523	\$ 675,804
Airport, Harbor Departments, LACERS, LAFPP	<u>117,368</u>	<u>114,828</u>	<u>124,074</u>	<u>131,166</u>	<u>145,998</u>
Total	<u>\$ 676,667</u>	<u>\$ 647,661</u>	<u>\$ 725,524</u>	<u>\$ 767,689</u>	<u>\$ 821,803</u>
Percent of payroll – Tier 1	29.89%	29.43%	32.81%	33.93%	34.07%
Percent of payroll – Tier 3	27.70%	27.45%	30.16%	31.35%	31.45%
Uses of Contributions					
Current Service Liability (Normal cost)	\$ 234,336	\$ 229,795	\$ 265,096	\$ 285,162	\$ 300,709
UAAL	477,035	462,604	492,955	556,287	601,005
Adjustments ⁽³⁾	<u>(34,704)</u>	<u>(44,738)</u>	<u>(32,527)</u>	<u>(73,760)</u>	<u>(79,911)</u>
Total	<u>\$ 676,667</u>	<u>\$ 647,661</u>	<u>\$ 725,524</u>	<u>\$ 767,689</u>	<u>\$ 821,803</u>

⁽¹⁾ Includes funding for OPEB.

⁽²⁾ Includes employees funded by certain special funds in addition to the General Fund.

⁽³⁾ Adjustments include a "true-up" reconciling projected payroll against actual payroll, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB. The CAO's projected payroll assumes that there will be no negotiated employee compensation increases after the expiration in 2023 and 2024 of current labor agreements.

Table 48
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
(\$ in thousands)

	<i>Adopted Budget 2023-24</i>	<i>Projection 2024-25</i>	<i>Projection 2025-26</i>	<i>Projection 2026-27</i>	<i>Projection 2027-28</i>
Contributions for Council-controlled Departments ⁽¹⁾⁽²⁾	\$ 675,804	\$ 785,467	\$ 765,426	\$ 802,851	\$ 828,465
Percentage of Payroll ⁽³⁾	33.15%	33.58%	32.07%	32.96%	33.21%
Incremental Change	\$ 39,274	\$ 109,663	\$ (20,041)	\$ 37,425	\$ 25,614
% Change	6.17%	16.23%	(2.55)%	4.89%	3.19%

⁽¹⁾ Includes the General Fund and various special funds.

⁽²⁾ Assumes 7% return on investment.

⁽³⁾ Reflects combined rates for all benefit tiers.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

The LACERS Board recently considered an actuarial analysis of various scenarios to increase the reimbursement of the Medicare Part B premium for retirees. Depending on the scenario, the increase could impact between 1,375 and 2,860 retirees, and could result in modest increases in LACERS' UAAL and the City's required contributions (up to \$8.9 million annually). The LACERS Board instructed staff to share the study with its stakeholders and report back to the LACERS Board. Any changes proposed by the LACERS Board would be subject to approval by the City Council and Mayor.

In addition, the LACERS Board has recommended that the City Council approve a discretionary cost-of-living adjustment of 2.6% for Tier 1 participants. The recommendation is pending consideration by the applicable City Council committee. Any increase would be subject to approval by the full City Council and Mayor.

Los Angeles Fire and Police Pension Plan ("LAFPP"). The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and Department of Airports police. As of June 30, 2022, the date of its most recent actuarial valuation, the LAFPP had 12,771 active members (including 123 in Harbor and 92 in Airports), 13,821 retired members and beneficiaries, and 723 vested former members.

Six tiers of benefits are provided, depending on the date of the member's hiring. No active members are in Tier 1, while Tier 2 had only 4 active members as of June 30, 2022, although both tiers have retired members and beneficiaries. Sixty percent of active members are in Tier 5, and 35 percent are in Tier 6.

Amortization of UAAL may be calculated differently for different tiers. A Charter amendment adopted by City voters on March 8, 2011 provided the LAFPP Board with greater flexibility to establish amortization and plan funding policies. Under the LAFPP Board's current actuarial funding policy, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years.

Similar to LACERS, LAFPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. LAFPP uses a 40 percent market corridor, so that the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In May 2023, the LAFPP Board adopted the actuary's recommendations to maintain the 7.00 percent assumed rate of investment return, but reduced the inflation assumption from 2.75 percent to 2.50 percent. In addition to the economic assumptions, the LAFPP Board adjusted various other demographic assumptions such as mortality, retirement, termination, and disability incidence rates. Adoption of the economic and demographic assumption changes in May 2023 are estimated to decrease City contributions by 0.45 percent of payroll. The new assumptions will be used in the June 30, 2023 actuarial valuation, which will determine the City's contribution rate for Fiscal Year 2024-25.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table 49
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>UAAL As a Percentage of Covered Payroll⁽⁵⁾</i>
2013	\$14,657,713	\$17,632,425	\$2,974,712	83.1%	\$1,367,237	217.6%
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0
2021	23,689,349	24,461,267	771,918	96.8	1,684,785	45.8
2022	25,146,787	25,670,766	523,979	98.0	1,664,318	31.5

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.

(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(4) Projected annual payroll against which UAAL amortized.

(5) UAAL divided by covered payroll.

Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2022.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table 50
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded (Overfunded) Liability⁽²⁾</i>	<i>Funded Ratio (Market Value)⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</i>
2013	\$14,729,976	\$17,632,425	\$2,902,449	83.5%	\$1,367,237	212.3%
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5
2021	27,862,307	24,461,267	(3,401,040)	113.9	1,684,785	(201.9)
2022	25,258,536	25,670,766	412,230	98.4	1,664,318	24.8

⁽¹⁾ Table includes funding for retirement benefits only. Other post-employment benefits not included.

⁽²⁾ Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.

⁽³⁾ Market Value of Assets divided by Actuarial Accrued Liability.

⁽⁴⁾ Projected annual payroll against which liability is amortized.

⁽⁵⁾ UAAL divided by covered payroll.

Source: Calculated by CAO based on data from LAFPP Actuarial Valuations.

The table below provides a ten-year history of the funding progress for healthcare benefit liabilities of the LAFPP.

Table 51
OTHER POST-EMPLOYMENT BENEFITS
FIRE AND POLICE PENSION PLAN
(\$ in thousands)

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽¹⁾</i>	<i>Funded Ratio⁽²⁾</i>	<i>Covered Payroll⁽³⁾</i>	<i>UAAL As a Percentage of Covered Payroll⁽⁴⁾</i>
2013	\$1,013,400	\$2,633,793	\$1,620,393	38.5%	\$1,367,237	118.5%
2014	1,200,874	2,783,283	1,582,409	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5
2021	2,455,726	3,793,174	1,337,448	64.7	1,684,785	79.4
2022	2,710,079	3,649,332	939,253	74.3	1,664,318	56.4

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

(2) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(3) Projected annual payroll against which UAAL amortized.

(4) UAAL divided by covered payroll.

Source: The Fire and Police Pension Plan System Actuarial Valuations.

The table below summarizes the General Fund's payments to LAFPP over the past four years and payments included in the Fiscal Year 2023-24 Adopted Budget. This table includes costs for both pensions and retiree health care, as well as the plan's administrative expenses.

Table 52
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>Adopted Budget 2023-24</i>
General Fund ⁽¹⁾	<u>\$ 705,076</u>	<u>\$ 738,908</u>	<u>\$ 721,998</u>	<u>\$ 660,945</u>	<u>\$ 637,297</u>
Percent of Payroll	47.37%	46.79%	45.89%	41.84%	40.63%
Current Service Liability	\$ 349,256	\$ 382,639	\$ 393,940	\$ 394,525	\$ 390,133
UAAL/(Surplus)	337,815	337,154	306,679	244,958	225,835
Administrative Costs	<u>18,005</u>	<u>19,115</u>	<u>21,379</u>	<u>21,462</u>	<u>21,329</u>
Total	<u>\$ 705,076</u>	<u>\$ 738,908</u>	<u>\$ 721,998</u>	<u>\$ 660,945</u>	<u>\$ 637,297</u>

(1) The City funds an Excess Benefit Plan outside LAFPP to provide for any benefit payments to retirees that exceed IRS limits. Amounts deposited in that account are credited against the City's annual contribution to LAFPP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Historically, plan members did not contribute to offset the City's costs of retiree healthcare subsidy benefits, as all such costs were funded from the employer's contribution and investment returns thereon. In

2011, the City negotiated with the sworn bargaining units the option of a 2 percent active employee contribution to offset the cost of retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires an additional 2 percent contribution to offset the cost of retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the LAFPP board. For those sworn employees that opted not to make an additional contribution to offset the cost of retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

A consolidated lawsuit challenged the LAFPP Board’s exercise of its discretion to annually increase the subsidy for sworn employees. On May 2, 2022, the court ruled that LAFPP was not required to automatically grant the maximum possible increase in the retiree medical subsidy each year to employees who contribute the additional 2 percent. Rather, the LAFPP Board retained the discretion on the amount of any increase. The union filed a notice of appeal on June 23, 2022. See “LITIGATION”.

The table below illustrates the City’s projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP’s consulting actuary applied against projected payroll by the CAO. The CAO’s projected payroll assumes that there will be no negotiated employee compensation increases after the expiration in 2023 and 2024 of current labor agreements.

Table 53
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS⁽¹⁾
(\$ in thousands)

	<i>Adopted Budget</i> <i>2023-24</i>	<i>Projection</i> <i>2024-25</i>	<i>Projection</i> <i>2025-26</i>	<i>Projection</i> <i>2026-27</i>	<i>Projection</i> <i>2027-28</i>
General Fund	\$ 637,297	\$ 663,704	\$ 545,425	\$ 547,558	\$ 556,857
Percentage of Payroll	40.63%	39.38%	31.66%	31.10%	30.82%
Incremental Change	\$ (23,648)	\$ 26,407	\$(118,279)	\$ 2,133	\$ 9,299
% Change	(3.58)%	4.14%	(17.82)%	0.39%	1.70%

⁽¹⁾ Assumes 7.00% return on investment.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

PART 2: HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION

Introduction

The City of Los Angeles is the second most populous city in the United States, with an estimated 2023 population of 3.8 million. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960. By 2022, the population grew another 1.4 million, and the City experienced further growth in its demographic and economic diversity.

The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. There were more than 300,000 manufacturing jobs in the County in 2022. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes City, County, and State population, estimated as of January 1 of each year.

Table 54
CITY, COUNTY AND STATE POPULATION STATISTICS

	<i>City of Los Angeles</i>	<i>Percentage Change⁽¹⁾</i>	<i>County of Los Angeles</i>	<i>Percentage Change⁽¹⁾</i>	<i>State of California</i>	<i>Percentage Change⁽¹⁾</i>
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,794,586	0.67	9,822,121	0.06	37,223,900	3.78
2015	3,938,939	3.80	10,124,800	3.08	38,865,532	4.41
2020	3,975,234	0.92	10,135,614	0.11	39,648,938	2.02
2021	3,859,192	(2.92)	9,942,011	(1.91)	39,286,510	(0.91)
2022	3,802,725	(1.46)	9,834,503	(1.08)	39,078,674	(0.53)
2023	3,766,109	(0.96)	9,761,210	(0.75)	38,940,231	(0.35)

⁽¹⁾ For five-year time periods, figures represent cumulative change over such five year period.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2, 2022. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2023, with 2020 Census Benchmark. Sacramento, California, May, 2023.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year.

Table 55
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE⁽¹⁾

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<u>Civilian Labor Force</u>					
City of Los Angeles					
Employed	1,983,600	2,007,000	1,787,300	1,868,300	1,947,300
Unemployed	<u>96,800</u>	<u>94,500</u>	<u>251,500</u>	<u>181,900</u>	<u>102,600</u>
Total	2,080,400	2,101,400	2,038,800	2,050,200	2,049,900
County of Los Angeles					
Employed	4,882,300	4,920,800	4,350,500	4,547,600	4,739,900
Unemployed	<u>237,500</u>	<u>230,700</u>	<u>609,800</u>	<u>445,900</u>	<u>244,900</u>
Total	5,119,800	5,151,500	4,960,300	4,993,500	4,984,800
<u>Unemployment Rates</u>					
City	4.7%	4.5%	12.3%	8.9%	5.0%
County	4.6%	4.5%	12.3%	8.9%	4.9%
State	4.2%	4.1%	10.1%	7.3%	4.2%
United States	3.9%	3.7%	8.1%	5.3%	3.6%

⁽¹⁾ March 2022 Benchmark report as of February 2023, not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for February 2023 of 4.8 percent statewide, 5.3 percent for the County, and 5.4 percent for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department's estimated annual employment for the County as of March 2022, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 56
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	<i>County of Los Angeles</i> 2022	<i>% of</i> Total	<i>State of California</i> 2022	<i>% of</i> Total
Agricultural	4,900	0.1%	422,900	2.3%
Mining and Logging	1,600	0.0	19,700	0.1
Construction	150,900	3.3	913,400	5.0
Manufacturing	321,800	7.1	1,336,900	7.4
Trade, Transportation and Utilities	837,400	18.4	3,133,000	17.3
Information	235,200	5.2	608,200	3.4
Financial Activities	215,900	4.8	844,700	4.7
Professional and Business Services	668,900	14.7	2,872,700	15.9
Educational and Health Services	873,600	19.2	2,936,300	16.2
Leisure and Hospitality	511,300	11.3	1,931,600	10.7
Other Services	153,500	3.4	563,300	3.1
Government	<u>568,500</u>	12.5	<u>2,529,000</u>	14.0
Total⁽²⁾	4,543,400		18,111,800	

⁽¹⁾ The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

⁽²⁾ May not add due to rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2022 Benchmark report as of April 12, 2023.

Major Employers

The estimated top 25 major non-governmental employers in the County in 2022 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 6.9 percent of the labor force.

[Table 57]
LOS ANGELES COUNTY
2022 MAJOR NON-GOVERNMENTAL EMPLOYERS

<i>Employer</i>	<i>Product/Service</i>	<i>Employees</i>
Kaiser Permanente	Nonprofit health care plan	40,303
University of Southern California	Private university	22,735
Northrop Grumman Corp.	Defense contractor	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,659
Target Corp.	Retailer	15,888
Allied Universal	Security professionals	15,326 ⁽¹⁾
Providence	Health care	14,935 ⁽¹⁾
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000
Walmart Inc.	Retailer	14,000
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	10,406
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,830
Edison International	Electric utility, energy services	7,672 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,404
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 ⁽¹⁾
FedEx Corp.	Shipping and logistics	6,750 ⁽¹⁾
Children's Hospital Los Angeles	Hospital	6,644
Dignity Health	Health care	6,263
Costco Wholesale	Membership chain of warehouse stores	6,002
Space Exploration Technologies	Rockets and spacecraft	6,000 ⁽¹⁾

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 22, 2022.

The estimated top 25 major governmental employers in the County in 2022 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.6 percent of the labor force.

**[Table 58]
LOS ANGELES COUNTY
2022 LARGEST PUBLIC SECTOR EMPLOYERS**

<i>Employers</i>	<i>Employees</i>
Los Angeles County	100,729
Los Angeles Unified School District	73,805
Federal Executive Board ⁽¹⁾	50,000
University of California, Los Angeles	48,743
City of Los Angeles ⁽²⁾	33,562
State of California ⁽³⁾	32,300
Long Beach Unified School District	12,000
Los Angeles County Metropolitan Transportation Authority	11,700
Los Angeles Community College District	11,618
Los Angeles Department of Water and Power	11,000
Cal State Long Beach	8,477
City of Long Beach	6,300
Mt. San Antonio Community College District	4,400
Los Angeles World Airports	4,000
Cal State Northridge	3,992
Compton Unified School District	3,071
Montebello Unified School District	2,885
Pomona Unified School District	2,800
Cal State Los Angeles	2,624
Cal Poly Pomona	2,603
City of Pasadena	2,314
City of Glendale	2,077
Santa Monica Community College District	2,023
City of Santa Monica	1,979
Torrance	1,456
	436,458

⁽¹⁾ Excludes law enforcement and judiciary employees.

⁽²⁾ Excludes proprietary departments (DWP, LAWA, Port of L.A.).

⁽³⁾ Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 22, 2022.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 59
COUNTY, STATE AND U.S.
PERSONAL INCOME

<i>Year and Area</i>	<i>Personal Income (thousands of dollars)</i>	<i>Per Capita Personal Income⁽¹⁾ (dollars)</i>
2017		
County ⁽²⁾	\$ 580,335,216	\$57,325
State ⁽³⁾	2,318,280,900	58,804
United States ⁽³⁾	16,837,337,000	51,550
2018		
County ⁽²⁾	\$ 601,947,888	\$59,617
State ⁽³⁾	2,431,773,900	61,508
United States ⁽³⁾	17,671,054,000	53,786
2019		
County ⁽²⁾	\$ 635,759,588	\$63,252
State ⁽³⁾	2,567,425,600	64,919
United States ⁽³⁾	18,575,467,000	56,250
2020		
County ⁽²⁾	\$ 684,663,140	\$68,541
State ⁽⁴⁾	2,790,523,500	70,643
United States ⁽⁴⁾	19,812,171,000	59,763
2021		
County ⁽²⁾	\$ 728,772,915	\$74,141
State ⁽⁴⁾	3,006,183,900	76,800
United States ⁽⁴⁾	21,288,709,000	64,117
2022		
County ⁽⁵⁾	n/a	n/a
State ⁽⁴⁾	\$ 3,018,471,100	\$77,339
United States ⁽⁴⁾	21,804,787,500	65,423

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2017-2020 reflect county population estimates available as of March 2021. These population estimates are based on the 2010 census. BEA will incorporate Census Bureau midyear population estimates based on the 2020 census results when they become available.

(2) Last updated: November 16, 2022 – new statistics for 2021; revised statistics for 2017 – 2020.

(3) Last updated: March 9, 2023 – revised statistics for 2017 – 2021.

(4) Last updated: March 31, 2023 – new statistics for 2022; revised statistics for 2020-2021.

(5) County information for 2022 not yet available.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” and “Table CAINC1: Personal Income Summary” (accessed April 12, 2023).

Retail Sales

As the largest city in the County, the City accounted for \$58.0 billion (or approximately 27.3 percent) of the total \$212.8 billion in County taxable sales for 2022. The following table sets forth a history of taxable sales for the City for calendar years 2018 through 2022.

Table 60
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Motor Vehicle and Parts Dealers	\$ 4,953,943	\$ 4,920,618	\$ 4,585,480	\$ 5,927,499	\$ 6,559,410
Home Furnishings and Appliance Stores	1,994,456	1,879,295	1,523,470	2,025,904	1,963,826
Bldg. Materials and Garden Equip. and Supplies	2,604,997	2,633,786	2,774,916	3,040,639	3,191,779
Food and Beverage Stores	2,965,281	3,003,306	3,045,666	3,154,313	3,289,286
Gasoline Stations	4,577,433	4,634,896	2,903,295	4,469,765	5,870,477
Clothing and Clothing Accessories Stores	3,358,528	3,392,114	2,302,122	3,632,876	3,687,708
General Merchandise Stores	2,901,449	2,908,563	2,494,747	3,037,363	3,295,629
Food Services and Drinking Places	9,704,572	10,214,928	6,320,584	8,881,294	10,808,809
Other Retail Group	<u>4,582,036</u>	<u>4,686,277</u>	<u>4,462,925</u>	<u>5,286,747</u>	<u>5,274,889</u>
Subtotal Retail and Food Services	37,642,695	38,273,783	30,413,205	39,456,400	43,941,813
All Other Outlets	<u>11,862,801</u>	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,296,267</u>	<u>14,074,885</u>
TOTAL ALL OUTLETS	\$49,505,496	\$ 50,174,451	\$39,654,236	\$ 50,752,667	\$ 58,016,698
Year-over-year change	N/A	1.4%	(21.0%)	28.0%	14.3%

Source: California Department of Tax and Fee Administration, Research and Statistics.(last updated April 3, 2023)

Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 61
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	<i>2022-23 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential				
Commercial Office	\$ 114,121,438,050	15.21%	26,321	3.36%
Vacant Commercial	2,475,236,601	0.33	1,297	0.17
Industrial	49,106,181,441	6.54	17,569	2.24
Vacant Industrial	2,029,728,201	0.27	4,214	0.54
Recreational	2,844,281,839	0.38	784	0.10
Government/Social/Institutional	4,163,944,109	0.55	3,641	0.46
Miscellaneous	393,388,074	0.05	1,817	0.23
Subtotal Non-Residential	<u>\$ 175,134,198,315</u>	23.34%	55,643	7.10%
Residential				
Single Family Residence	\$ 390,697,407,814	52.06%	506,284	64.57%
Condominium/Townhouse	49,553,166,029	6.60	90,014	11.48
Mobile Homes and Lots	179,011,134	0.02	3,489	0.44
Mobile Home Park	255,581,722	0.03	93	0.01
2-4 Residential Units	39,203,311,258	5.22	74,982	9.56
5+ Residential Units/Apartments	92,043,511,682	12.26	35,560	4.54
Vacant Residential	3,421,387,930	0.46	18,033	2.30
Subtotal Residential	<u>\$ 575,353,377,569</u>	76.66%	728,455	92.90%
Total	\$ 750,487,575,884	100.00%	784,098	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 62
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

	<i>No. of Parcels</i>	<i>2022-23 Assessed Valuation</i>	<i>Average Assessed Valuation</i>	<i>Median Assessed Valuation</i>
Single Family Residential Properties	506,284	\$390,697,407,814	\$771,696	\$427,890

<i>2022-23 Assessed Valuation</i>	<i>No. of Residential Parcels ⁽¹⁾</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$49,999	6,386	1.261%	1.261%	\$ 229,193,540	0.059%	0.059%
\$50,000 - \$99,999	15,201	3.002	4.264	1,193,916,942	0.306	0.364
\$100,000 - \$149,999	17,403	3.437	7.701	2,290,182,591	0.586	0.950
\$150,000 - \$199,999	28,329	5.595	13.297	5,168,484,405	1.323	2.273
\$200,000 - \$249,999	36,625	7.234	20.531	8,615,738,250	2.205	4.479
\$250,000 - \$299,999	42,384	8.372	28.902	11,932,367,520	3.054	7.533
\$300,000 - \$349,999	48,734	9.626	38.528	16,330,032,390	4.180	11.712
\$350,000 - \$399,999	49,705	9.818	48.346	18,857,232,015	4.827	16.539
\$400,000 - \$449,999	26,981	5.329	53.675	11,830,359,070	3.028	19.567
\$450,000 - \$499,999	29,934	5.912	59.588	14,569,117,272	3.729	23.296
\$500,000 - \$549,999	29,298	5.787	65.374	15,768,740,262	4.036	27.332
\$550,000 - \$599,999	27,653	5.462	70.836	16,063,572,394	4.112	31.443
\$600,000 - \$649,999	20,106	3.971	74.808	12,695,491,368	3.249	34.693
\$650,000 - \$699,999	15,499	3.061	77.869	10,678,516,519	2.733	37.426
\$700,000 - \$749,999	13,014	2.570	80.439	9,627,718,158	2.464	39.890
\$750,000 - \$799,999	12,088	2.388	82.827	9,440,607,120	2.416	42.307
\$800,000 - \$849,999	10,209	2.016	84.843	8,349,318,351	2.137	44.444
\$850,000 - \$899,999	8,809	1.740	86.583	7,814,296,529	2.000	46.444
\$900,000 - \$949,999	7,656	1.512	88.096	7,293,741,048	1.867	48.311
\$950,000 - \$999,999	6,636	1.311	89.406	6,551,377,728	1.677	49.988
\$1,000,000-and greater	<u>53,634</u>	<u>10.594</u>	100.000	<u>195,397,404,342</u>	<u>50.012</u>	100.000
	506,284	100.000%		\$ 390,697,407,814	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 63
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation ⁽¹⁾	\$ 8,654	\$ 8,520	\$ 6,285	\$ 6,091	\$ 7,968
Residential ⁽²⁾	3,940	3,437	2,930	2,743	3,690
Non-Residential ⁽³⁾	1,256	1,091	1,187	871	1,196
Miscellaneous Residential ⁽⁴⁾	180	173	129	232	365
Miscellaneous Non-Residential ⁽⁵⁾	40	146	46	18	2
Number of Residential Units:					
Single family ⁽⁶⁾	3,598	3,739	2,685	3,122	4,430
Multi-family ⁽⁷⁾	<u>12,659</u>	<u>10,693</u>	<u>9,171</u>	<u>10,898</u>	<u>12,324</u>
Subtotal Residential Units	16,257	14,432	11,856	14,020	16,754
Number of Non-Residential Units ⁽⁸⁾	12	1	0	512	504
Miscellaneous Residential Units ⁽⁹⁾	4,614	5,014	3,017	4,664	6,320
Miscellaneous Non-Residential Units ⁽¹⁰⁾	493	475	257	480	46
Total Units	21,376	19,922	15,130	19,676	23,624

(1) In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.

(2) Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.

(3) Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non- Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.

(4) Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."

(5) Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

(6) Number of dwelling units permitted for Single-Family Dwellings and Duplexes.

(7) Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.

(8) Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.

(9) Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."

(10) Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

Source: City of Los Angeles, Department of Building and Safety.

Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member

Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.

APPENDIX B
SUMMARY OF LEGAL DOCUMENTS

APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Nixon Peabody LLP, Bond Counsel, proposes to deliver its approving opinions in substantially the following form:

[_____], 2023

Municipal Improvement Corporation of Los Angeles
Los Angeles, California

City of Los Angeles
Los Angeles, California

Re: \$ _____ Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2023-A (Capital Equipment and Real Property)

Ladies and Gentlemen

We have acted as bond counsel in connection with the issuance by the Municipal Improvement Corporation of Los Angeles (the "Corporation") of \$ _____ aggregate principal amount of its Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the "Bonds"). The Bonds are authorized under the Articles of Incorporation of the Corporation and the laws of the State of California. The Bonds are being issued pursuant to an Indenture, dated as of _____ 1, 2023 (the "Indenture"), by and among the Corporation, the City of Los Angeles, California (the "City") and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

As bond counsel, we have examined the Indenture, the Site and Equipment Lease, dated as of _____ 1, 2023 (the "Site and Equipment Lease"), by and between the Corporation and the City, the Lease Agreement, dated as of _____ 1, 2023 (the "Lease Agreement"), by and between the Corporation and the City, the Assignment Agreement, dated as of _____ 1, 2023 (the "Assignment Agreement"), by and between the Corporation and the Trustee, and the Tax Certificate of the Corporation and the City, dated the date hereof (the "Tax Certificate"). In addition, we have relied upon and examined the opinions of counsel to the Corporation, the City and the Trustee, certificates of the Corporation, the City, the Trustee and others, copies, certified to us as being true and complete, of the proceedings of the City and of the Corporation for the authorization and issuance of the Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto. We express no opinion as to any provision in the Indenture, the Site and Equipment Lease, the Lease Agreement or the Assignment Agreement with respect to the priority of any pledge or security interest, indemnification, or governing law. We advise you that we have not made or undertaken to make any investigation of the state of title to any of the real property or ownership of any personal property described in the Site and Equipment Lease or the Lease Agreement, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds constitute the valid and binding limited obligations of the Corporation.
2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Corporation and the City. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Assignment Agreement has been duly authorized, executed and delivered by the Corporation and creates a valid assignment to the Trustee of certain rights of the Corporation in the Site and Equipment Lease and the Lease Agreement, including the right to receive the Basic Lease Payments from the City to the extent and as more particularly described therein.
4. The Site and Equipment Lease and the Lease Agreement have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Corporation and the City. The obligation of the City to make the Basic Lease Payments during the terms of the Lease Agreement constitute a valid and binding obligation of the City, payable from funds of the City lawfully available therefor.
5. The Internal Revenue Code of 1986 (the “Code”) sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax Certificate, the City and the Corporation have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City and the Corporation have made certain additional covenants, representations and certifications in the Indenture and the Tax Certificate. We have not independently verified compliance with such covenants or the accuracy of those representations and certifications.

Under existing law, assuming compliance with the above-mentioned tax covenants and the accuracy of the above-mentioned representations and certifications, we are of the opinion that interest (including any original issue discount properly allocable thereto) on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. For taxable years beginning after December 31, 2022, interest on the Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

6. We are further of the opinion that the interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2 and 3 above assume that the Trustee has duly authenticated the Bonds and that the Indenture and the Assignment Agreement are the legally valid, binding and enforceable agreements of the Trustee. In addition, the enforceability of the agreements, covenants and obligations described in paragraphs 1, 2, 3 and 4 above may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance laws). In addition, the enforceability of such agreements, covenants and obligations is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, the limitations on legal remedies against government entities in the State of California, and to the application of laws of the State of California relating to conflicts of interest to which government entities are subject. We express no opinion regarding the availability of equitable remedies.

The Bonds are not a lien or charge upon the funds or property of the Corporation except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

Except as stated in paragraphs 5, and 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the amount, accrual or receipt of interest on the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

In rendering the opinions set forth in paragraphs 5 and 6 above, we are relying upon representations and covenants of the City and the Corporation in the Tax Certificate concerning the investment and use of Bonds proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed and refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the City and the Corporation will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the City or Corporation fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement, dated _____, 2023, or other offering material relating to the Bonds. 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. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

We call attention to the fact that the opinions expressed herein and the exclusion of interest due on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and none of the City, the Corporation, or the Underwriters take any responsibility for the completeness or accuracy thereof. The City the Corporation, and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

The Depository Trust Company, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and additional certificates will be issued in aggregate principal amounts up to \$500 million each with respect to any remaining principal amount of such maturity.

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 foregoing internet addresses are included for reference only, and the information on such internet site is not incorporated by reference herein.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as the issuer of the bonds, 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds 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, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Corporation believe to be reliable, but neither the City nor the Corporation take any responsibility for the accuracy thereof.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City, the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CITY, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

If the City and the Corporation determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Bonds, and the Corporation does not select another qualified securities depository, the Corporation shall deliver one or more Bonds in such principal amount or amounts, in authorized

denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Bonds will be governed by the provisions of the Indenture.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Los Angeles, California (the “City”) in connection with the issuance on behalf of the City by the Municipal Improvement Corporation of Los Angeles (the “Corporation”) of its \$_____ Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “Bonds”). The Bonds are issued pursuant to that certain Indenture dated as of _____ 1, 2023 (the “Indenture”), by and among the Corporation, the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the City in its capacity as an “obligated person” under the Rule (as defined herein) for the benefit of the Bondholders and Beneficial Owners and in order to assist the Participating Underwriters in complying with the Rule.

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

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean each of the City Administrative Officer of the City or any other person authorized to act on his or her behalf, acting in the capacity of Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

“Official Statement” shall mean the Official Statement dated November __, 2023 delivered by the City in connection with the sale of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) site.

“Rule” shall mean Rule 15c2-12 adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. PROVISION OF ANNUAL REPORTS. (a) The City shall cause the Dissemination Agent to provide, not later than June 30 of each year, commencing on June 30, 2024, with respect to Fiscal Year

2022-23, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate and in such form required by the Repository. If the Dissemination Agent is other than the City or the City Administrative Officer, not later than fifteen (15) days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the City's audited financial statements may be submitted separately from the balance of the Annual Report and not later than the date required above for the filing of the Annual Report if they are not available by that date.

The City shall submit unaudited financial statements not later than the date required above for the filing of the Annual Report if the audited financial statements are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the Repository an Annual Report by the date required and in the manner required in subsection (a) above, the City shall send a notice to the Repository in a form prescribed by the Repository.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and the Repository to which it was provided.

SECTION 4. CONTENT OF ANNUAL REPORTS. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Tabular information provided in APPENDIX A—"CITY OF LOS ANGELES INFORMATION STATEMENT" to the Official Statement under the headings: "BUDGET AND FINANCIAL OPERATIONS," "MAJOR GENERAL FUND REVENUE SOURCES," "BONDED AND OTHER INDEBTEDNESS" and "LITIGATION." The City need not update any particular table or chart included in such sections so long as (i) the City provides updated information generally of the type previously included in such table or chart, or (ii) such table or chart constitutes information not deemed to be operating data under the Rule.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS. (a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of Bond holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the City; provided that for the purposes of the event identified in this Subsection 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;
13. consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee, or the change of name of a trustee, if material;
15. incurrence of a financial obligation, as defined in the Rule, of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection 2, 7, 8 (but only with respect to bond calls), 10, 13, 14, and 15 of Section 5(a), only in the event the City determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall file or cause to be filed a notice of such occurrence with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(c) If the Dissemination Agent is other than the City, the Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the City and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsections (a) and (b) and promptly direct the Dissemination Agent whether or not to report such event to the owners of the Bonds. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination Agent to the owners of the Bonds under the Indenture. The Dissemination Agent may conclusively rely upon such direction or lack thereof. For purposes of this Disclosure Certificate, actual knowledge of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events. Notwithstanding the foregoing, notice of any Listed Event shall be filed with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b) hereof.

SECTION 7. DISSEMINATION AGENT. The City may, from time to time, appoint or engage a Dissemination Agent other than the original Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting

principles, on the principles, or the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to a change in the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure by the City to comply with any provision of this Disclosure Certificate any Bondholders or Beneficial Owners of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, Bondholders and Beneficial Owners from time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2023

CITY OF LOS ANGELES, CALIFORNIA

By: _____
Assistant City Administrative Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: City of Los Angeles, California

Name of Bond Issue: Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2023-A (Capital Equipment and Real Property)

Date of Issuance: December __, 2023

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated December __, 2023. The City anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

CITY OF LOS ANGELES

By: _____
Title: _____

Exhibit C – Indenture

INDENTURE

by and among the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

and the

CITY OF LOS ANGELES

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

Dated as of _____ 1, 2023

\$ _____

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2023-A
(CAPITAL EQUIPMENT AND REAL PROPERTY)

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INDENTURE

THIS INDENTURE, dated as of _____ 1, 2023 (the “**Indenture**”), by and among the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “**Corporation**”), the CITY OF LOS ANGELES, a charter city and municipal corporation duly organized and existing under the constitution and laws of the State of California (the “**City**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the “**Trustee**”);

WITNESSETH:

WHEREAS, the Corporation has previously financed and refinanced the acquisition of various items of capital equipment and the acquisition, construction and improvement of certain real property through the issuance of the Corporation’s commercial paper (the “**Commercial Paper**”), which the City and the Corporation wish to refinance;

WHEREAS, the City and the Corporation wish to refinance a portion of the outstanding Commercial Paper (the portion so retired herein referred to as the “**Retired Commercial Paper**”) through the issuance of the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “**Series 2023-A Bonds**”) by the Corporation; and

WHEREAS, concurrently with the execution hereof and in connection with the issuance of the Series 2023-A Bonds, the City and the Corporation are entering into a Site and Equipment Lease (the “**Site and Equipment Lease**”), between the City, as lessor, and the Corporation, as lessee, pursuant to which the City is leasing certain capital equipment (the “**Capital Equipment**”) and real property and improvements thereon (the “**Real Property**” and, together with the Capital Equipment, the “**Property**”) to the Corporation;

WHEREAS, concurrently with the execution hereof and in connection with the issuance of the Series 2023-A Bonds, the City and the Corporation are entering into a Lease Agreement (the “**Lease Agreement**”), between the Corporation, as lessor, and the City, as lessee, pursuant to which the Corporation is subleasing the Property back to the City, the City’s Basic Lease Payments for which will be sufficient to pay principal of and interest on the Series 2023-A Bonds; and

WHEREAS, Sections 5450 *et seq.* of the California Government Code (the “**Government Code**”) provide statutory authority for pledging collateral for the payment of the principal or redemption price of, and interest on, bonds and other forms of indebtedness and agreements and the Government Code creates a continuing perfected security interest which shall attach immediately to such collateral irrespective of whether the parties to the pledge documents have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act, and the Corporation hereby warrants and represents that pursuant to the Lease Agreement, the Assignment Agreement (each as hereinafter defined) and this Indenture, the Owners of the

Bonds have a first priority perfected security interest in the Basic Lease Payments (as hereinafter defined) that serve as the collateral for the Bonds pursuant to the Government Code; and

WHEREAS, the City and the Corporation have determined that it is in the public interest, convenience and welfare and for the common benefit of the inhabitants of the City that the Corporation issue the Series 2023-A Bonds for the purposes stated herein; and

WHEREAS, the Corporation has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Corporation, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Corporation, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Corporation does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Lease Agreement:

“Additional Bonds” means all lease revenue bonds or lease revenue refunding bonds of the Corporation authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article III.

“Annual Debt Service” means, for any Fiscal Year with respect to any or all Series of Bonds, the sum of (1) the interest payable on all Outstanding Bonds of such Series in such Fiscal Year, assuming that all Outstanding Serial Bonds of such Series are retired as scheduled, and (2) the principal amount of all Outstanding Serial Bonds of such Series, if any, maturing by their terms in such Fiscal Year.

“Assignment Agreement” means the Assignment Agreement, dated as of _____ 1, 2023, by and between the Corporation and the Trustee whereby the Corporation assigns to the Trustee for the benefit of the Bond Owners (as defined in the Lease Agreement) certain of the Corporation’s right, title and interest in and to the Site and Equipment Lease and the Lease

Agreement, including the right to receive Basic Lease Payments, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Authorized Denominations” means, with respect to the Series 2023-A Bonds, \$5,000 and any integral multiple thereof.

“Basic Lease Payments” means all amounts payable by the City as the Basic Lease Payments pursuant to Section 3.4 of the Lease Agreement.

“Beneficial Owner” means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Board Member” means any member of the Corporation’s board of directors.

“Bond Counsel” means Nixon Peabody LLP or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to: (i) the tax status under federal laws and regulations of interest on obligations issued by or executed on behalf of states and their political subdivisions, as designated by the City and/or (ii) municipal obligations.

“Bond Fund” means the Bond Fund established pursuant to Section 4.01 hereof.

“Bonds” means the Series 2023-A Bonds and all Additional Bonds.

“Business Day” or *“business day”* means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in California or New York are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

“Capital Equipment” means that certain capital equipment listed on Exhibit B to the Lease Agreement, as such Exhibit B may be amended or supplemented from time to time in accordance with the terms of the Lease Agreement.

“Certificate of the City” means an instrument in writing signed by a City Representative.

“Certificate of the Corporation” means an instrument in writing signed by a Corporation Representative.

“City” means the City of Los Angeles, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State.

“City Representative” means the City Administrative Officer, any Assistant City Administrative Officer, the City Controller, the Chief Deputy City Controller, the City Treasurer, any Deputy City Treasurer, or such other employee of the City as the City Administrative Officer or the City Controller or the City Treasurer shall designate in writing, acting on behalf of the City with respect to this Indenture and the Lease Agreement.

“Closing Date” means _____, 2023, the date on which the Series 2023-A Bonds are initially issued.

“Code” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder.

“Commercial Paper” means the Municipal Improvement Corporation of Los Angeles Lease Revenue Commercial Paper Notes issued by the Corporation.

“Commercial Paper Issuing and Paying Agent” means U.S. Bank Trust Company, National Association, as Issuing and Paying Agent under the Fourth Amended and Restated Issuing and Paying Agent Agreement among said Issuing and Paying Agent, the Corporation and the City, in connection with the Commercial Paper.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of _____, 2023 executed and delivered by the City in connection with the issuance of the Series 2023-A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the Corporation by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted or such other address as may be specified in writing by the Trustee.

“Corporation” means the Municipal Improvement Corporation of Los Angeles, a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State, or any successor entity.

“Corporation Representative” means the President, Vice President, Secretary, Treasurer or any Assistant Secretary or Assistant Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Lease Agreement or this Indenture.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the issuance, sale and delivery of the Bonds and the execution and delivery of this Indenture, the Site and Equipment Lease, the Lease Agreement and the Assignment Agreement, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, initial insurance premiums, fees related to The Depository Trust Company, accounting fees, title insurance, fees for execution, transportation and safekeeping of the Bonds and any other charges and fees in connection or associated with the foregoing.

“Costs of Issuance Fund” means the Series 2023-A Costs of Issuance Fund.

“Defeasance Securities” means (a) Federal Securities which are not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by

any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities, and (ii) which at the time of their initial use as Defeasance Securities are rated [in the highest two generic rating categories by S&P or Moody's.]

“*Event of Default*” shall have the meaning contained in Section 9.01 hereof.

“*Federal Securities*” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal (including U.S. Treasury Securities — State and Local Government Series (SLGS)), or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities, as well as pre-refunded municipal bonds rated [Aaa/AAA] by Moody’s and S&P.

“*Financial Newspaper*” means *The Wall Street Journal* or *The Bond Buyer* or any other newspaper or journal printed in the English language publishing financial news and selected by the City, whose decision shall be final and conclusive.

“*Fiscal Year*” means each annual fiscal period of the Corporation which, as of the date hereof, is the period from July 1 through the following June 30.

“*Fitch*” means Fitch Ratings, or any successor credit rating agency selected by the Corporation.

“*Indenture*” means this Indenture, dated as of _____ 1, 2023, among the Corporation, the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

“*Insurance Proceeds and Condemnation Awards Fund*” means the fund of that name established pursuant to Section 6.07 hereof.

“*Interest Payment Date*” means each May 1 and November 1 commencing May 1, 2024.

“*Lease Agreement*” means that certain Lease Agreement, dated as of _____ 1, 2023, between the City and the Corporation, under which the Corporation subleases the Property to the City, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“*Lease Payment Date*” means the fifteenth day of April and October in each year during the Term of the Lease Agreement, commencing April 15, 2024, except that if the Corporate Trust Office of the Trustee is not open for business on any such date, then that Lease Payment Date shall be the next day on which such office is open for business.

“*Lease Payments*” means the Basic Lease Payments and the Additional Payments payable by the City pursuant to the Lease Agreement.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor credit rating agency selected by the Corporation.

“*MSRB*” means the Municipal Securities Rulemaking Board. Unless otherwise designated by the MSRB, filings are to be made through the Electronic Municipal Market Access website of the MSRB.

“*Net Proceeds*” means, collectively, the net proceeds of any insurance, condemnation or eminent domain award resulting from any damage or destruction of any portion of the Property payable in accordance with the Lease Agreement.

“*Nominee*” shall have the meaning contained in Section 2.12 hereof.

“*Opinion of Counsel*” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Corporation or the City.

“*Outstanding,*” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.02) all Bonds theretofore or thereupon executed by the Corporation and authenticated and delivered by the Trustee pursuant hereto including, but not limited to, Series 2023-A Bonds, except:

(i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01 hereof; and

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Corporation and authenticated and delivered pursuant hereto.

“*Owner*” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.08 hereof.

“*Participant*” shall have the meaning contained in Section 2.12 hereof.

“*Permitted Investments*” means any of the following to the extent then permitted by law and Section 5.04:

1. (a) Cash (insured to the maximum amount available by the Federal Deposit Insurance Corporation), (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“*U.S. Treasury Obligations*”), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as

to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated).

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
 - (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.
 - (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations.
 - (d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
4. Unsecured certificates of deposit, time deposits, money market accounts and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.
5. Deposits the aggregate amount of which are insured to the maximum amount available by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.
6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.
7. Money market funds rated "AAm" or "AAm-G" or better by S&P and if rated by Moody's rated "Aa-mf" or better including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds and (iii) services performed for such funds and pursuant

to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

8. “State Obligations,” which means:

- (a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “A3” by Moody’s and at least “A-” by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- (b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- (c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated “AA-” or better by S&P and “Aa3” or better by Moody’s.

9. Pre-refunded municipal obligations rated in the highest two generic rating categories by S&P or Moody's and meeting the following requirements:

- (a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- (c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“*Verification Report*”);
- (d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- (e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

- (f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P and “A3” by Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has long-term debt rated at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “A-” by S&P and “A3” Moody’s (for the purpose of this definition, each an “*Eligible Provider*”), *provided that*:

- (a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (for the purpose of this definition, “*Eligible Collateral*”);
- (b) the Trustee or a third party acting solely as agent therefor or for the Corporation (the “*Custodian*”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;
- (c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Corporation setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (d) the repurchase agreement shall state and an Opinion of Counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (e) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must notify the Corporation and the Trustee within five days of receipt of such notice. Within ten days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Corporation, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten Business Days, the provider shall, at the direction of the Trustee (who

shall give such direction if so directed by the Corporation) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Corporation or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s (for the purpose of this definition, each an “Eligible Provider”); *provided that*:

- (a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- (b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Corporation and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (c) the provider shall send monthly reports to the Trustee and the Corporation setting forth the balance the Corporation or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
- (d) the investment agreement shall state that it is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (e) the Corporation and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- (f) the Corporation and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country’s laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;
- (g) the investment agreement shall provide that if during its term:

- (1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Corporation, (ii) post Eligible Collateral with the Corporation, the Trustee or a third party acting solely as agent therefor (the "*Custodian*") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;
 - (2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3" respectively, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Corporation), within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or Trustee.
- (h) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC (for the purpose of this definition, "*Eligible Collateral*"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Corporation setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (i) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (j) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Corporation), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts

invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate.

Maturity of investments shall be governed by the following:

- (a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.
- (b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.
- (c) Investment of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

“Property” means, collectively, the Capital Equipment and the Real Property.

“Rating Agencies” means Kroll or S&P, or in the event that Kroll or S&P no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Kroll or S&P or another nationally recognized rating agency then maintains a rating on the Bonds.

“Real Property” has the meaning ascribed thereto in the Lease Agreement.

“Rebate Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Record Date” means the 15th day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

“Representation Letter” means the Blanket Letter of Representations delivered to DTC by the Corporation.

“Revenues” means all Basic Lease Payments made pursuant to the Lease Agreement and interest or profits from the investment of money in any fund, account or subaccount (other than the Rebate Fund) pursuant to Section 5.04.

“S&P” means S&P Global Ratings, or any successor credit rating agency selected by the Corporation.

“Securities Depositories” means: The Depository Trust Company, 570 Washington Boulevard, Jersey City, New Jersey 07310; or such other address and/or such other securities depository as the Corporation may designate in writing to the Trustee.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“*Series*” means a series of Bonds issued hereunder including, without limitation, the Series 2023-A Bonds and any series of Additional Bonds.

“*Series 2023-A Bonds*” means the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) authorized and at any time Outstanding pursuant hereto and issued, executed and delivered in accordance with Article II and payable from Basic Lease Payments made by the City pursuant to the Lease Agreement.

“*Series 2023-A Costs of Issuance Fund*” means the fund by that name established pursuant to Section 4.01 hereof.

“*Series 2023-A Interest Account*” means the account by that name established pursuant to Section 5.03 hereof in the Bond Fund.

“*Series 2023-A Principal Account*” means the account by that name established pursuant to Section 5.03 hereof in the Bond Fund.

“*Series 2023-A Redemption Account*” means the account by that name established pursuant to Section 5.03 hereof in the Bond Fund.

“*Site and Equipment Lease*” means the Site and Equipment Lease, dated as of _____ 1, 2023, between the City and the Corporation under which the City leases the Property to the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“*State*” means the State of California.

“*Supplemental Indenture*” means any indenture then in full force and effect which has been duly executed and delivered by the Corporation, the City and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“*Tax Certificate*” means, the tax compliance certificate executed by the City and the Corporation at the time of the issuance and delivery of the Series 2023-A Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Term Bonds*” means Additional Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“*Trustee*” means U.S. Bank Trust Company, National Association, a national banking association existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in Section 7.02.

“*Written Request of the City*” means a request in writing signed by a City Representative.

“Written Request of the Corporation” means a request in writing signed by a Corporation Representative.

Section 1.02 Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the City, the Corporation and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, issued, executed and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premium, if any, with respect to all Bonds which may from time to time be authorized, issued, executed and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the City or the Corporation shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, issuance, execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF SERIES 2023-A BONDS; REGISTRATION AND TRANSFER OF BONDS

Section 2.01 Authorization and Purpose of Series 2023-A Bonds. The Corporation has reviewed all proceedings heretofore taken relative to the authorization of the Series 2023-A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2023-A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Corporation is now duly authorized to issue the Series 2023-A Bonds in the form and manner provided herein for the purpose of providing funds to refinance the Commercial Paper, and that the Series 2023-A Bonds shall be entitled to the benefit, protection and security of the provisions hereof. The procedure for issuance of the Series 2023-A Bonds is set forth in Section 4.02.

Section 2.02 Terms of the Series 2023-A Bonds. (a) The Series 2023-A Bonds shall be designated “Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property)” and shall be issued in the aggregate principal amount of _____ (\$_____). The Series 2023-A Bonds shall be dated the Closing Date, shall be issued in book-entry form in Authorized Denominations (not exceeding the principal amount of Series 2023-A Bonds of any Series maturing at any one time), and shall mature on the dates and in the principal amounts and shall bear interest at the rates as set forth in the following schedule:

MATURITY DATE
(MAY 1)

PRINCIPAL
AMOUNT

INTEREST RATE

\$

%

(b) The principal of the Series 2023-A Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee upon presentation and surrender of such Series 2023-A Bonds.

(c) The Series 2023-A Bonds shall bear interest at the rates set forth above, payable on the Interest Payment Dates in each year, commencing on May 1, 2024. Each Series 2023-A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Record Date, in which event it shall bear interest from the Closing Date.

(d) Payment of interest on the Series 2023-A Bonds due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Series 2023-A Bonds are registered, as of the Record Date immediately preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to Section 2.08, such interest to be paid by check mailed by first class mail on such Interest Payment Date to such Owner at its address as it appears on such books as of the Record Date; *provided, however*, that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of the Series 2023-A Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner.

(e) Interest on the Series 2023-A Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(f) The Series 2023-A Bonds shall be initially registered in the name of “Cede & Co.,” as Nominee of DTC (as defined in Section 2.12 hereof), shall be in book-entry form, and shall be evidenced by one bond for each maturity bearing a specified interest rate (each, a “maturity”) of each Series of the Series 2023-A Bonds in the principal amount of the respective maturities of the Series 2023-A Bonds.

Section 2.03 Redemption of Bonds.

(a) ***Extraordinary Mandatory Redemption.*** The Series 2023-A Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as hereinafter provided, on any date, in whole or in part, from Net Proceeds as provided in Section 6.07 hereof and Section 5.2 of the Lease Agreement, at a redemption price equal to the principal amount thereof together with accrued interest to the date of redemption, without premium. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to Section 6.07(c). Notwithstanding the foregoing, the Net Proceeds arising from the damage, destruction, taking or other loss of or to the Capital Equipment or the Real Property may be invested in a yield restricted account pursuant to the Tax Certificate and applied to the pro rata payment of principal of the Series 2023-A Bonds, or such other selection of Bonds approved in an Opinion of Counsel, so long as the Bonds are Outstanding.

If less than all Outstanding Series 2023-A Bonds are to be redeemed pursuant to the preceding paragraph, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Capital Equipment or the Real Property destroyed, damaged, stolen or taken, to redeem Series 2023-A Bonds as directed in writing by the City. Subject to the foregoing, if less than all Outstanding Series 2023-A Bonds of a Series maturing by their terms on any one date are to be so redeemed at any one time, Bonds of such Series and maturity date to be redeemed shall be selected in accordance with paragraph (c) below. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to this Indenture.

(b) ***Optional Redemption.***

The Series 2023-A Bonds maturing on or before May 1, 20__ are not subject to optional redemption prior to their stated maturity dates. The Series 2023-A Bonds maturing on or after May 1, 20__ are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after May 1, 20__, at a redemption price equal to the principal amount of the Series 2023-A Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

(c) ***Selection for Redemption.*** Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the City thereof to the extent Bonds are no longer held in book-entry form.

(d) ***Notice of Redemption.*** Notice of redemption shall be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to (i) the respective Owners of the Series 2023-A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories (if any); and (iii) the MSRB. Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities within a Series, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2023-A Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. The notice of redemption for any optional redemption pursuant to Section 2.03(b) hereof shall contain a statement to the effect that redemption of the Series 2023-A Bonds is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the Series 2023-A Bonds to be redeemed on or before the redemption date, and such optional redemption shall be so conditioned. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Bonds. The Trustee may provide notices hereunder to the Securities Depositories and the MSRB electronically.

(e) If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2023-A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds shall become due and payable, and from and after the date so designated interest on the Series 2023-A Bonds so called for redemption shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

(f) Failure by the Trustee to give notice pursuant to this Section to any one or more of the Securities Depositories or the MSRB, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure to receive a notice of redemption or any defect in such notice shall not affect the sufficiency or validity of the proceedings for redemption.

(g) All Series 2023-A Bonds redeemed pursuant to the provisions of this Section shall be canceled by the Trustee and shall be delivered to, or upon the order of, the Corporation and shall not be reissued.

Section 2.04 Form of Series 2023-A Bonds. The form of the Series 2023-A Bonds, and the authentication and registration endorsement and assignment to appear thereon, shall be substantially in the form set forth on Exhibit A hereto.

Section 2.05 Execution of Bonds. (a) The Bonds shall be executed on behalf of the Corporation by any Board Member of the Corporation or the Assistant Secretary and Assistant Treasurer of the Corporation. The signatures of such Board Member or Assistant Secretary and Assistant Treasurer may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

(b) Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in *Exhibit A* hereto, as applicable, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.06 Transfer and Payment of Bonds. (a) Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer substantially in the form set forth in *Exhibit A* hereto, as applicable. Whenever any Bond or Bonds shall be surrendered for transfer, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of a like aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City.

(b) The Corporation and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the Corporation nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

(c) The Trustee shall not be required to register the transfer of any Bond (i) during the period commencing on the day which is five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.07 Exchange of Bonds. (a) Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City.

(b) The Trustee shall not be required to register the exchange of any Bond (i) during any period commencing on the day which is five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.08 Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Corporation during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

Section 2.09 Mutilated, Destroyed, Stolen or Lost Bonds. (a) If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Bond of like Series, maturity and Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender, at the Corporate Trust Office of the Trustee, of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the order of, the Corporation.

(b) If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver a new Bond of like Series, maturity and Authorized Denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen.

(c) The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses which may be incurred by the Corporation and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Corporation nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; both the original and replacement Bond shall be treated as one and the same.

Section 2.10 Temporary Bonds. The Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Corporation, shall be in fully registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate.

Every temporary Bond shall be executed and authenticated in accordance with the terms hereof. If the Corporation issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds delivered hereunder.

Section 2.11 Validity of Bonds. From and after the issuance of the Bonds, the findings and determinations of the Corporation respecting the Bonds shall be conclusive evidence of (i) the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds shall be required to see to the existence of any fact, or (ii) to the performance of any condition or to the taking of any proceeding required prior to such issuance, or (iii) to the application of the proceeds of sale of the Bonds. The validity of the issuance of the Bonds shall not be dependent on or affected in any way by the proceedings taken by the Corporation for the refinancing of the Commercial Paper or by any contracts made by the Corporation or its agents in connection therewith. The recital contained in the Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 2.12 Special Covenants as to Book-Entry Only Bonds. (a) Except as otherwise provided in subsections (b) and (c) of this Section 2.12 or as otherwise set forth in an amendment or supplement to this Indenture with respect to any Additional Bonds, all of the Bonds initially executed and delivered hereunder shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter (the “Nominee”). Payment of the principal of and interest on each Bond registered in the name of Cede & Co. shall be made to the account, in the manner and at the address indicated in or pursuant to the Representation Letter delivered to DTC by the Corporation or the City.

(b) The Bonds executed and delivered pursuant to this Section 2.12 shall be in the form of a single authenticated fully registered bond for each maturity of each Series bearing a specified interest rate. The ownership of all such Bonds shall be registered in the registration books maintained by the Trustee pursuant to Section 2.08 in the name of Cede & Co., as Nominee of DTC, or such other Nominee as DTC may request. The Trustee, the Corporation and the City may treat DTC (or its Nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of and interest on such Bonds, selecting any Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to an Owner under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and none of the Trustee, the Corporation or the City shall be affected by any notice to the contrary. None of the Trustee, the Corporation or the City shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.12, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly

or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Bonds; (iii) any notice which is permitted or required to be given to the Owners under the Indenture; (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new Nominee in place of its then existing Nominee, the Bonds will be transferable to such new Nominee in accordance with subsection (f) of this Section 2.12.

(c) In the event that the Corporation determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain bonds, the Trustee shall, upon the written instruction of the Corporation, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of Bonds. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.12. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the City, the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.12. Whenever DTC requests the City, the Corporation or the Trustee to do so, the Trustee, the Corporation and the City will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all bonds evidencing the Bonds then-Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.12, and thereafter, all reference in this Indenture to DTC or its Nominee shall be deemed to refer to such successor securities depository and its Nominee, as appropriate.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any Nominee of DTC, all payments with respect to the principal and interest represented by each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Corporation shall execute and deliver the Representation Letter and, in connection with any successor Nominee for DTC and any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this Section 2.12, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07. In the event Bonds are issued to

holders other than Cede & Co., its successor as Nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the Nominee of such successor securities depository, the provisions of Sections 2.02, 2.03, 2.06 and 2.07 shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal of, premium, if any, and interest on the Bonds.

ARTICLE III

ISSUANCE OF ADDITIONAL BONDS

Section 3.01 Conditions for the Issuance of Additional Bonds. The Corporation may at any time issue Additional Bonds payable from the Revenues as provided herein and secured by a pledge of the Revenues as provided herein equal to the pledge securing the Outstanding Bonds theretofore issued hereunder, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) The Corporation shall be, as evidenced by a Certificate of the Corporation, in compliance with all agreements and covenants contained herein and no Event of Default shall have occurred and be continuing under the Lease Agreement.

(b) The issuance of such Additional Bonds shall have been authorized by the Corporation and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) the purpose for which such Additional Bonds are to be issued; *provided, however*, that the proceeds of such Additional Bonds shall be applied solely for the purpose of (i) financing, acquiring, constructing, maintaining, operating, improving and leasing any capital assets, including payment of all costs incidental to or connected with such financing (including interest during construction); (ii) and/or refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) the authorized principal amount and designation of such Additional Bonds;

(3) the dated date and the maturity dates of, and the sinking fund payment dates, if any, for such Additional Bonds; *provided, however*, that (i) each maturity and sinking fund date shall fall upon May 1; (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination; and (iii) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective longest maturity dates;

(4) the interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(5) the redemption premium, if any, and the redemption terms, if any, for such Additional Bonds;

(6) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account;

(7) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in an escrow fund or acquisition fund;

(8) the forms of such Additional Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent herewith.

(c) The Site and Equipment Lease shall have been further amended so as to include any additional capital equipment and/or real property to be leased by the Corporation thereunder and the Lease Agreement shall have been further amended so as to include such additional capital equipment and/or real property and to increase the aggregate Basic Lease Payments payable by the City thereunder by an amount at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due, subject to the limitation that the increase in Basic Lease Payments together with existing Basic Lease Payments shall not in any year be in excess of the annual fair rental of the Property included in the Lease Agreement determined as of the time the Additional Bonds are issued.

Nothing contained herein shall limit the issuance of any lease revenue bonds of the Corporation payable from the Revenues and secured by a pledge of the Revenues if, after the issuance and delivery of such lease revenue bonds, none of the Bonds theretofore issued hereunder will be Outstanding.

Section 3.02 Procedure for the Issuance of Additional Bonds. The Corporation may, at any time, execute Additional Bonds for issuance hereunder and deliver them to the Trustee, and thereupon such Additional Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Corporation, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee (unless the Trustee shall be requested by the Corporation to accept any of such documents bearing a prior date, for which the Trustee shall not be liable):

(a) an executed copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) an executed copy of the amendment to the Lease Agreement required by Section 3.01(c);

(c) a Written Request of the Corporation as to the delivery of such Additional Bonds;

(d) an Opinion of Counsel to the effect that (i) the Corporation has the right and power to execute and deliver the Supplemental Indenture and the Supplemental Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms

(except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and no other authorization for the execution and delivery thereof is required; (ii) the Supplemental Indenture creates the valid pledge of the Revenues which it purports to create as provided therein, subject to the application thereof to the purposes and on the conditions permitted hereby; (iii) such Additional Bonds are valid and binding special obligations of the Corporation, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and the terms hereof and entitled to the benefits hereof, and such Additional Bonds have been duly and validly authorized, executed, issued and delivered in accordance herewith; (iv) the amendments to the Lease Agreement required by Section 3.01(c) hereof have been duly authorized, executed and delivered and are valid and binding upon the Corporation and the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights, by equitable principles and by limitations on legal remedies against public agencies in the State and by the application of State laws relating to conflicts of interest to which public agencies are subject); and (v) the issuance of such Additional Bonds, that are tax-exempt, will not adversely affect the exclusion from gross income for federal tax purposes of interest on the Bonds that are issued on a tax-exempt basis then Outstanding;

(e) a Certificate of the Corporation certifying that the conditions for the issuance of such Additional Bonds contained herein have been complied with and satisfied; and

(f) such further documents, opinions, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Additional Bonds.

ARTICLE IV

ESTABLISHMENT OF CERTAIN FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

Section 4.01 Establishment of Certain Funds. (a) The Trustee shall establish the following special trust funds, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Bonds are Outstanding: the "Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A Bond Fund" (the "*Bond Fund*") and the "Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A Costs of Issuance Fund" (the "*Series 2023-A Costs of Issuance Fund*"). Incident to the issuance of Additional Bonds, the Supplemental Indenture may provide for the creation of additional special trust funds to be maintained by the Trustee.

In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a separate fund that shall be separate from any other fund or account established and maintained hereunder, one of which shall be designated the "Series 2023-A Rebate Fund" (the "*Rebate Fund*") for the Series 2023-A Bonds. Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the

City or the Corporation to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund as required by the Tax Certificate.

(b) So long as any of the Series 2023-A Bonds, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by this Indenture.

Section 4.02 Procedure for the Issuance of Series 2023-A Bonds. The Corporation may, at any time, execute the Series 2023-A Bonds for issuance hereunder and deliver them to the Trustee, and thereupon the Series 2023-A Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Corporation and upon receipt of payment therefor from the purchaser thereof.

Section 4.03 Application of Proceeds and Other Monies. Upon receipt of payment for the Series 2023-A Bonds on the Closing Date, the Trustee shall apply the proceeds of the Series 2023-A Bonds and other monies as follows:

(1) the Trustee shall transfer to the Commercial Paper Issuing and Paying Agent the sum of \$ _____, to be applied to the payment of the Retired Commercial Paper; and

(2) the Trustee shall deposit the amount of \$ _____ in the Series 2023-A Costs of Issuance Fund.

The Trustee may establish a temporary fund or account in its records to facilitate and record the above deposits and transfers of monies.

Section 4.04 Costs of Issuance Fund. (a) The Trustee shall hold the moneys in the Series 2023-A Costs of Issuance Fund and shall disburse such moneys from time to time to pay Costs of Issuance for the Series 2023-A Bonds upon receipt by the Trustee of a Written Request of the City or the Corporation (on which the Trustee may conclusively rely) substantially in the form of *Exhibit B* hereto, which may be sent to the Trustee by facsimile or electronic mail, that:

(1) states with respect to each disbursement to be made:

(A) the requisition number,

(B) the name and address of the person, firm or corporation to whom payment is due,

(C) the amount to be disbursed and certifying that such amount is for payment of Costs of Issuance for the Series 2023-A Bonds, and

(D) that each obligation therein has been properly incurred, and is a proper charge against the Series 2023-A Costs of Issuance Fund and has not been the basis of any previous disbursement;

(2) specifies in reasonable detail the nature of the obligation; and

(3) is accompanied by a bill or statement of account for each obligation.

(b) Upon the earlier of (i) sixty (60) days after the Closing Date and the date of receipt of a Certificate of the City stating that all Costs of Issuance for the Series 2023-A Bonds have been paid, any amount then remaining in such Series 2023-A Costs of Issuance Fund shall be deposited by the Trustee into the Series 2023-A Interest Account. The Trustee shall close the Series 2023-A Costs of Issuance Fund when no amounts remain in such fund.

ARTICLE V

REVENUES

Section 5.01 Pledge of Revenues. (a) All Revenues and amounts on deposit in the funds, accounts and subaccounts established hereunder with respect to the Series 2023-A Bonds (other than the Rebate Fund), including any interest or profits from the investment of money in such funds, accounts and subaccounts pursuant to Section 5.04, are hereby irrevocably pledged to the payment of the interest on and principal and redemption price, if any, of the Series 2023-A Bonds, as provided herein, and the Revenues and such amounts shall not be used for any other purpose while any of the Series 2023-A Bonds remain Outstanding; *provided, however*, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted by Section 5.03. Such pledge creates a first priority perfected security interest in the Revenues and the other amounts described in this subsection (a) in accordance with California law for the benefit of the Owners of the Series 2023-A Bonds.

(b) The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee.

Section 5.02 Receipt and Deposit of Revenues in the Bond Fund. In order to carry out and effectuate the pledge contained in Section 5.01 hereof, the Trustee agrees and covenants that all Revenues when and as received shall be received in trust hereunder for the benefit of the Owners of the respective Series and shall be deposited when and as received in the Bond Fund. All Revenues shall be accounted for through and held in trust in the Bond Fund, and the Corporation shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Corporation in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Corporation.

Section 5.03 Establishment and Maintenance of Accounts for Use of Money in the Bond Fund. (a) Subject to any amounts required to be deposited in the Rebate Fund pursuant to the relevant Tax Certificate, all money in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to maintain) in the following order of priority:

- (1) Series 2023-A Interest Account,
- (2) Series 2023-A Principal Account, and
- (3) Series 2023-A Redemption Account.

(b) All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section.

(1) *Interest Account.* (A) On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund, and deposit in the Series 2023-A Interest Account, that amount of money which, together with any money contained in the Series 2023-A Interest Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2023-A Bonds on such Interest Payment Date.

(B) No deposit need be made in the Series 2023-A Interest Account if the amount contained in the Series 2023-A Interest Account is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2023-A Bonds on such Interest Payment Date.

(C) All money in the Series 2023-A Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2023-A Bonds.

(2) *Principal Account.* (A) On or before May 1 of each year, beginning on May 1, 2024, the Trustee shall set aside from the Bond Fund and deposit in the Series 2023-A Principal Account an amount of money equal to the aggregate principal amount of all Outstanding Series 2023-A Serial Bonds maturing on such May 1. No deposit need be made in the Series 2023-A Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Series 2023-A Serial Bonds maturing by their terms on such May 1.

(B) All money in the Series 2023-A Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2023-A Bonds.

(3) *Redemption Account.* In addition to the above accounts, the Trustee shall establish and maintain within the Bond Fund, when required, a special account designated the "Series 2023-A Redemption Account." All money in the Series 2023-A Redemption Account shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section. Any Net Proceeds which, in accordance with a Written Request of the City or the Corporation delivered to the Trustee pursuant to Section 6.07 and all other amounts received by the Trustee in connection with the redemption of the Series 2023-A Bonds pursuant to Section 2.03 are to be used to redeem Series 2023-A Bonds and shall be deposited by the Trustee in the Series 2023-A Redemption Account. In the case of Net Proceeds delivered to the Trustee pursuant to Section 6.07, the Trustee shall deposit such amounts to the Series 2023-A

Redemption Account. The Trustee shall, on the scheduled redemption date, withdraw from the Series 2023-A Redemption Account and pay to the Owners entitled thereto an amount equal to the redemption price of the Series 2023-A Bonds to be redeemed on such date.

(4) *Application of Funds.* Any delinquent Basic Lease Payments and proceeds of rental interruption insurance with respect to Property subject to the Lease Agreement shall be applied *first* to the Series 2023-A Interest Account based on the amount past due, for the immediate payment of interest payments past due and then to the Series 2023-A Principal Account, based on the past due amounts, for immediate payment of principal payments past due according to the tenor of any Series 2023-A Bond. Any remaining money representing delinquent Basic Lease Payments and proceeds of rental interruption insurance with respect to Property subject to the Lease Agreement shall be deposited in the Bond Fund to be applied in the manner provided herein.

Section 5.04 Investment of Moneys in Funds and Accounts. Moneys in the Bond Fund, the Series 2023-A Costs of Issuance Fund and any accounts and subaccounts therein shall, solely upon the Written Request of the City or the Corporation at least two Business Days before the investment, be invested by the Trustee in Permitted Investments. The obligations in which moneys in the said funds, accounts and subaccounts are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out hereunder. For purposes of determining the amount of deposit in any fund, account or subaccount held hereunder, all Permitted Investments credited to such fund or account shall be valued, on or about May 1 during each year that Bonds are Outstanding, at the cost thereof (adjusting for any amortized premium or discount to maturity). Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund, account or subaccount and all investment profits or losses thereon shall be deemed at all times to be a part of said fund, account or subaccount. The Trustee shall maintain records with respect to each investment, including: (i) purchase date; (ii) purchase price; (iii) any accrued interest paid; (iv) face amount; (v) coupon rate; (vi) periodicity of interest payments; (vii) disposition price; (viii) any accrued interest received; and (ix) disposition date. The Trustee will furnish the Corporation and the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee may act as principal or agent in the acquisition or disposition of investments, and to the extent permitted under the Tax Certificate may commingle the funds, accounts and subaccounts established hereunder for investment purposes. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Article V.

The Corporation and the City acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the City the right to receive brokerage confirmations of securities transactions as they occur, at no additional cost, the Corporation and the City specifically waive receipt of such confirmations to the extent permitted by law. Securities and investment transactions made by the Trustee under this Indenture will be set forth in the cash transaction statements provided by the Trustee to the Corporation and the City.

ARTICLE VI

COVENANTS OF THE CORPORATION, THE CITY AND THE TRUSTEE

Section 6.01 Punctual Payment and Performance. The Corporation will punctually pay the interest on and the principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained herein and in the Bonds.

Section 6.02 Against Encumbrances. The Corporation will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Section 6.03 Against Sale or Disposition of the Property. Except as provided in the Lease Agreement, the Corporation will not sell or otherwise dispose of the Property, enter into any agreement which impairs the use of the Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premium, if any, with respect to the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Section 6.04 Payment of Claims. The Corporation will pay and discharge or cause to be paid and discharged any and all lawful claims for labor, materials or supplies which, if unpaid, might become a legal charge or lien upon the Property or the Revenues or any part thereof or upon any funds under the control of the Corporation or the Trustee superior to or on a parity with the charge and lien upon the Revenues securing the Bonds, or which might impair the security of the Bonds.

Section 6.05 Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge or cause to be paid and discharged all applicable taxes, assessments and other governmental charges that may be levied, assessed or charged upon the Property or any part thereof or upon the Revenues or any part thereof promptly as and when the same shall become due and payable. The City will duly observe and conform with all valid applicable regulations and requirements of any governmental authority relative to the use of the Property or any part thereof, but the City shall not be required to comply with any such regulations or requirements so long as the application or the validity thereof shall be contested in good faith.

Section 6.06 Insurance. The City will maintain or cause to be maintained insurance with respect to the Property as required by the Lease Agreement.

Section 6.07 Insurance Proceeds and Condemnation Awards; Title Insurance.
(a) The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to Article IV of the Lease Agreement (other than workers' compensation insurance required under the Lease Agreement) and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the

“Insurance Proceeds and Condemnation Awards Fund,” and shall apply the proceeds of such insurance as provided herein. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the City, stating that the City or the Corporation has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

(b) The Trustee shall not be responsible for the sufficiency of any insurance required by the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City. Delivery to the Trustee of the schedule of insurance policies under the Lease Agreement shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the City deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the schedule required to be delivered by the City to the Trustee pursuant to Section 4.8 of Lease Agreement.

(c) Proceeds of any policy of insurance, title insurance, condemnation or eminent domain award received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(1) If the City determines that the loss, damage, title defect or taking giving rise to such proceeds has not materially affected the operation of the Property and will not result in an abatement of Basic Lease Payments payable by the City under the Lease Agreement, such proceeds shall at the election of the City as set forth in a Written Request of the City, be deposited in the (i) Series 2023-A Redemption Account and such proceeds shall be applied to cause the redemption of the Outstanding Series 2023-A Bonds in the manner provided in Section 2.03(a), or (ii) the Series 2023-A Principal Account and Series 2023-A Interest Account for application to the next two successive Basic Lease Payments;

(2) If any portion of the Property has been affected by such loss, damage, title defect or taking, and if the City determines that such loss, damage, title defect or taking will result in an abatement of Basic Lease Payments payable by the City under the Lease Agreement, and the City has not within 90 days of such damage, defect or taking notified the Trustee of its intent to repair or replace the lost, damaged, defective or taken Property, then the Trustee shall immediately deposit such proceeds in the Series 2023-A Redemption Account, and such proceeds shall be applied to cause the redemption of Outstanding Series 2023-A Bonds; or

(3) If the Trustee receives a Written Request of the City within 90 days of such loss, damage, defect or taking to the effect that the City desires to repair or replace the lost, damaged, defective or taken Property, accompanied by a Certificate of the City to the effect that such repair or replacement will take less than 24 months and, upon completion, the Property will have a fair rental value at least equal to the fair rental value of the Property prior to the loss, damage, defect or taking, the Trustee shall disburse the proceeds pursuant to Section 6.07(a) above.

Section 6.08 Accounting Records and Reports. The Corporation will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to inspect), at reasonable hours and under reasonable conditions. Not more than nine months after the close of each Fiscal Year, the Corporation shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year, and including a profit and loss statement and balance sheet. The Corporation shall also keep or cause to be kept such other information as is required under the Tax Certificate. The Trustee shall not have any responsibility to review such financial statements and shall retain such financial statements solely as a repository for the Owners.

Section 6.09 Lease Agreement and Other Documents. The Corporation will at all times maintain and vigorously enforce all of its rights under the Lease Agreement, and will promptly collect all rents and charges due for the use of the Property as the same become due under the Lease Agreement, and will promptly and vigorously enforce its rights against any tenant or other lessee who does not pay such rents or charges as they become due under the Lease Agreement. The Corporation will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation, abatement or termination of the Lease Agreement by the respective lessees thereunder.

Section 6.10 Other Liens. The Corporation will keep the Property free from judgments and liens (except those arising from the acquisition of the Property and except Permitted Encumbrances) and free from all claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided herein will at all times be maintained and preserved free from any claim or liability which might hamper the Corporation in conducting its business or interfere with the City's use and occupancy of the Property, and the Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to so comply within such period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; *provided, however,* that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Corporation from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Revenues made herein and to perform such agreements and covenants.

Section 6.11 Prosecution and Defense of Suits. (a) The Corporation will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees and expenses, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

(b) The Corporation will defend against every suit, action or proceeding except those arising out of the wrongful, willful act or actions of the Trustee at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee hereunder; *provided, however*, that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Section 6.12 Further Assurances. Whenever and so often as requested to do so by the Trustee, the Corporation will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

Section 6.13 Continuing Disclosure. Pursuant to Section 4.14 of the Lease Agreement, the City has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the Owners or any other person with respect to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The Trustee hereby covenants and agrees that it will comply with and carry out all of its obligations under the provisions of the Continuing Disclosure Certificate, if any, and Sections 4.14 of the Lease Agreement. Notwithstanding any other provision of this Indenture, failure of the City or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, upon payment of its fees and expenses, including counsel fees and expenses, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under Section 4.14 of the Lease Agreement, respectively, or to cause the Trustee to comply with its obligations under this Section 6.13.

Section 6.14 Tax Covenant. The Corporation and the City hereby covenant and agree that neither the Corporation nor the City will take any action that would cause interest on any Bonds issued on a tax-exempt basis (including, without limitation, the Series 2023-A Bonds) to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes, nor will it omit to take or cause to be taken, in a timely manner, any action, which omission would cause interest on any Bonds issued on a tax-exempt basis (including, without limitation, the Series 2023-A Bonds) to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes.

ARTICLE VII

THE TRUSTEE

Section 7.01 Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Corporation agrees and the respective owners of the Bonds, by their purchase and acceptance thereof, agree.

Section 7.02 Duties, Immunities and Liabilities of Trustee. (a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Corporation may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Corporation and the City and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee, at the expense of the Corporation, or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Corporation or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation and the City shall execute and deliver any and all instruments as may be reasonably required for

more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Section shall be a trust company, national banking association, corporation or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank, corporation, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, corporation, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or indemnity reasonably satisfactory to it against such risk or liability is not assured to it.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Corporation, the City or any other party of any funds which the Trustee has released under this Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

Section 7.03 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, *provided* such company shall be eligible under subsection (e) of Section 7.02, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 7.04 Compensation. (a) The Corporation shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses, including attorney's fees and expenses, incurred by the Trustee in the performance of its obligations hereunder.

(b) The Corporation agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability, cost, judgment, claim, suit or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture or any other document executed in connection herewith, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such compensation and indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

Section 7.05 Liability of Trustee. (a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Site and Equipment Lease, the Lease Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or under the Lease Agreement unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible

for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 6.08 and may rely conclusively on the certificates provided hereunder to establish the compliance with financial covenants hereunder.

(f) All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(g) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(h) Before taking any action under Article IX hereof or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Section 7.06 Right to Rely on Documents. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may but need not be counsel of or to the Corporation or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Corporation, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.07 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Corporation, the City and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 7.08 City Provisions. The Standard Provisions for City Contracts attached hereto as Exhibit C are hereby incorporated herein by reference as though fully set forth herein.

ARTICLE VIII

AMENDMENT OF THE INDENTURE

Section 8.01 Amendment of the Indenture. (a) The Indenture and the rights and obligations of the Corporation, the City and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least a majority in aggregate principal amount of the affected Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.02, are filed with the Trustee. No such amendment shall (i) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Corporation to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided herein without the express written consent of the Owner of such Bond; (ii) permit the creation by the Corporation of any pledge of the Revenues as provided herein superior to or on a parity with the pledge created hereby for the benefit of the Bonds; or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) The Indenture and the rights and obligations of the Corporation, the City and the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(1) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation may deem desirable or necessary and not inconsistent herewith and which shall not materially adversely affect the interests of the Owners; or

(2) to make any other change or addition hereto which shall not materially adversely affect the interests of the Owners, or to surrender any right or power reserved herein to or conferred herein on the Corporation; or

(3) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in Article III.

Section 8.02 Disqualified Bonds. Bonds owned or held by or for the account of the Corporation or the City, unless 100% of the Outstanding Bonds are so owned, shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII, *provided, however*, that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Corporation or the City unless the Corporation or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Corporation or City.

Section 8.03 Endorsement or Replacement of Bonds after Amendment. After the effective date of any action taken as hereinabove provided, the Corporation may determine that the Bonds may bear a notation by endorsement in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of its Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Corporation shall so determine, new Bonds so modified as, in the opinion of the Corporation, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 8.04 Amendment by Mutual Consent. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by it, *provided* that due notation thereof is made on such Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 9.01 Events of Default. Any one or more of the following events shall be called an “Event of Default” with respect to a Series of Bonds under this Indenture:

- (a) default shall be made in the due and punctual payment of the interest on any Bond of such Series when and as the same shall become due and payable;
- (b) default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond of such Series when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) default shall be made by the Corporation or the City in the performance of any of the other agreements or covenants required herein to be performed by the Corporation or the City, respectively, and such default shall have continued for a period of 60 days after the Corporation and the City shall have been given notice in writing of such default by the Trustee; *provided, however*, if the default stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from a City Representative to the effect that corrective action is being instituted by the City within the applicable period and is being diligently pursued to correct the default; or
- (d) the Corporation or the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Corporation or the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Corporation or the City or of the whole or any substantial part of its property.

Section 9.02 Proceedings by Trustee. (a) Subject to Section 9.09 hereof, upon the happening and continuance of any Event of Default the Trustee in its discretion may, and at the written request of the Owners of not less than 25% in aggregate principal amount of the defaulted Bonds Outstanding and upon being indemnified to its satisfaction shall, do the following:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Corporation to enforce all rights of the Owners of Bonds, including the right to require the Corporation to receive and collect Revenues and to enforce its rights under the Lease Agreement and to require the Corporation to carry out any other covenant or agreement with Owners of Bonds and to perform its duties hereunder;

(2) bring suit upon the Bonds;

(3) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(4) as a matter of right, have a receiver or receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(b) Notwithstanding the foregoing, neither this Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

(c) Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of the Owners thereof, or to authorize the Trustee to vote in respect of the claim of any Owner of Bonds in any such proceeding without the approval of the Owners of the Bonds so affected.

Section 9.03 Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Corporation, the City, the Trustee and the Owners shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.04 Rights of Owners. (a) Anything in this Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in Sections 9.02 above and 9.05 below, upon the happening and continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the defaulted Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture.

(b) The Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

(c) Nothing in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of the Owners thereof, or to authorize the Trustee to vote in respect of the claim of any Owner of Bonds in any such proceeding without the approval of the Owners of the Bonds so affected.

Section 9.05 Restriction on Owners' Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article IX, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under this Indenture, or any other remedy under this Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than 25% in aggregate principal amount of the defaulted Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in this Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy under this Indenture; it being understood and intended that no one or more Owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under the Bonds, except in the manner in this Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in this Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this Section.

Section 9.06 Power of Trustee to Enforce. All rights of action under this Indenture or under any of the Bonds secured by this Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Bonds subject to the provisions of this Indenture.

Section 9.07 Remedies Not Exclusive. No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 9.08 Waiver of Events of Default; Effect of Waiver. (a) The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding defaulted Bonds. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Corporation, the City and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding defaulted Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

(b) No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by this Article IX to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.09 Application of Moneys. (a) Any moneys received by the Trustee pursuant to this Article IX, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts hereunder (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(1) unless the principal of all of the Outstanding defaulted Bonds shall be due and payable,

FIRST: to the payment of the persons entitled thereto of all installments of interest then due on the defaulted Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND: to the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the defaulted Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such defaulted Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD: to be held for the payment to the persons entitled thereto as the same shall become due of the principal of, interest, and premium, if any, on the defaulted Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be

sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

(2) if the principal of all of the Outstanding defaulted Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding defaulted Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding defaulted Bond over any other Outstanding defaulted Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding defaulted Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 9.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Bonds. (a) If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds of a Series the interest thereon and the principal thereof and the redemption premium, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided herein, and all agreements, covenants and other obligations of the Corporation to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Corporation all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premium, if any, on such Bonds.

(b) Subject to the provisions of Section 10.01(a), when any of the Bonds shall have been paid and if, at the time of such payment, the Corporation shall have kept, performed and observed all the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Corporation or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Corporation hereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

(c) Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 7.04 relating to the compensation and indemnification of the Trustee shall remain in effect and shall be binding upon the Trustee and the Corporation.

(d) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsections (a), (b) and (c) of this Section 10.01 if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 2.03 of this Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with Section 2.03 of this Indenture; (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or Defeasance Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent Certified Public Accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premium, if any, with respect to such Bonds; and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premium, if any, on such Bonds. Defeasance Securities deposited with the Trustee may be replaced with other Defeasance Securities, subject to verification of sufficiency by an independent Certified Public Accountant, and profits, gains, income and any other economic benefits arising from such substitution shall inure to the benefit of, and be paid to, the City.

(e) Notwithstanding the foregoing, no defeasance of any Series 2023-A Bond shall occur until the Trustee has received an opinion of Bond Counsel to the effect that the provision for such payment and defeasance pursuant to this Section 10.01 shall not adversely affect the Owners of the Series 2023-A Bonds for federal income tax purposes.

Section 10.02 Unclaimed Money. Anything contained herein to the contrary notwithstanding and subject to applicable law, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable (during which time the Trustee shall hold such funds without liability for interest), either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee shall be repaid by the Trustee to the Corporation as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Corporation for the payment of such Bonds; *provided, however,* that before being required to make any such payment to the Corporation, the Trustee shall, upon the Written Request of the Corporation and at the expense of the Corporation, cause to be published once a week for two successive weeks in a Financial Newspaper, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Corporation.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Liability of Corporation and City Limited to Revenues.

(a) Notwithstanding anything contained herein, neither the Corporation nor the City shall be required to advance any money derived from any source of income other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premium, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Corporation or the City may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

(b) The Bonds shall be limited obligations of the Corporation and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund) as provided herein. The Bonds do not constitute a debt or liability of the City or of the State and neither the faith and credit of the City or of the State are pledged to the payment of the principal of or interest on the Bonds.

Section 11.02 Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the City, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Corporation or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Corporation, the Trustee and the Owners of the Bonds.

Section 11.03 Successor Is Deemed Included in All References to Predecessor. Whenever herein either the Corporation or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Corporation or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation

or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04 Execution of Documents by Owners. (a) Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to it the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the office of the Trustee.

(b) Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Corporation in good faith and in accordance therewith.

Section 11.05 Waiver of Personal Liability. No member, officer or employee of the Corporation or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premium, if any, with respect to the Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer or employee of the Corporation or the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 11.06 Acquisition of Bonds by Corporation or City. All Bonds acquired by the Corporation or the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 11.07 Destruction of Canceled Bonds. Whenever provision is made for the return to the Corporation of any Bonds which have been canceled pursuant to the provisions hereof, the Trustee shall destroy such Bonds and furnish to the Corporation a certificate of such destruction.

Section 11.08 Content of Certificates. (a) Every Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (i) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

(b) Any Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Corporation, upon a representation by an officer or officers of the Corporation unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.09 Publication for Successive Weeks. Any publication required to be made hereunder for successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Section 11.10 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 Bonds and the rights of the Owners.

Section 11.11 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 the Indenture as a whole and not to any particular article, section, subdivision or clause hereof. The use herein of the words “including” and “includes,” and words of similar import, shall be deemed to be followed by the phrase “without limitation.”

Section 11.12 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 Corporation, 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 Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Corporation, the City and the Trustee hereby declare that they would have executed and delivered the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds 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 11.13 Execution in Several Counterparts. This Indenture may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The parties further agree that facsimile signatures or signatures scanned into a portable document format (pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

Section 11.14 Law Governing. This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

Section 11.15 Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:	Office of the City Administrative Officer City of Los Angeles 200 North Main Street City Hall East Room 1500 Los Angeles, California 90012 Attention: MICLA Coordinator Email: cao.debt@lacity.org
If to the Corporation:	Municipal Improvement Corporation of Los Angeles c/o City Administrative Officer 200 North Main Street City Hall East, Room 1500 Los Angeles, California 90012 Attention: Assistant Secretary and Assistant Treasurer
If to the Trustee:	U.S. Bank Trust Company, National Association 633 West Fifth Street, 24th Floor Los Angeles, CA 90071 Attention: Global Corporate Trust

Each such approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, (d) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after

such notice is deposited with the United States mail, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 11.16 Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

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IN WITNESS WHEREOF, the Municipal Improvement Corporation of Los Angeles has caused this Indenture to be signed in its name by its Assistant Secretary and Assistant Treasurer, the City of Los Angeles has caused this Indenture to be signed in its name by its Assistant City Administrative Officer and, in token of its acceptance of the trusts created hereunder, U.S. Bank Trust Company, National Association, has caused this Indenture to be signed by its duly authorized officer, all as of the day and year first above written.

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES

By: _____
Assistant Secretary and Assistant Treasurer

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

Approved as to form:
HYDEE FELDSTEIN SOTO,
City Attorney

By: _____
Deputy City Attorney

U.S. BANK TRUST COMPANY NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2023-A BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

No. \$[_____]

**MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BOND, SERIES 2023-A
(CAPITAL EQUIPMENT AND REAL PROPERTY)**

NEITHER THIS BOND NOR THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF LOS ANGELES OR STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE CITY OF LOS ANGELES NOR THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THIS BOND.

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	May 1, 20__	_____, 2023	

Registered Owner: Cede & Co.

Principal Sum:

The Municipal Improvement Corporation of Los Angeles, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the interest payment date next preceding the date of authentication hereof (unless such date of authentication is during the period commencing after the fifteenth day of the month preceding an interest payment date, whether or not said day is a business day (the “Record Date”) through and including the next succeeding interest payment date, in which event this Bond shall bear interest from such interest payment date, or unless such date of authentication is prior to the first Record Date, in which event it shall bear interest from the Dated Date specified above) until the principal hereof shall

have been paid at the interest rate per annum specified above, payable on May 1, 2024, and semiannually thereafter on May 1 and November 1 in each year.

The principal of this Bond shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee (as hereinafter defined) in Los Angeles, California upon presentation and surrender of this Bond or such other place as designated by the Trustee.

Payment of interest on this Bond due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Bond is registered, as of the Record Date immediately preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books as the Record Date; *provided* that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of the Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Interest on this Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its “Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property)” (the “*Bonds*”) in the aggregate principal amount _____ Dollars (\$ _____), all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, Series, maturities and interest rates), and is issued under and pursuant to the provisions of an Indenture, dated as of _____ 1, 2023 (the “*Indenture*”), by and among the City of Los Angeles (the “*City*”), the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”) (copies of which are on file at the office of the Secretary of the Corporation and at the corporate trust office of the Trustee).

The Bonds are limited obligations of the Corporation and are payable, as to interest thereon and principal thereof, solely from the revenues derived from basic lease payments paid by the City for the use of the Property (as defined in the Indenture) as long as the City has such use of the Property, and amounts on deposit in the funds, accounts and subaccounts established under the Indenture with respect to the Bonds (other than amounts on deposit in the Rebate Fund), all as set forth in the Indenture (“*Revenues*”). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on, principal of and redemption premium, if any, with respect to the Bonds as provided in the Indenture.

The Bonds are special, limited obligations of the Corporation and do not constitute a debt, liability or obligation of the City or of the State of California (the “*State*”) or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Bonds.

Additional lease revenue bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Indenture. Reference is hereby made to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms under which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the registered owners of the Bonds. All of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Corporation and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Corporation has agreed and covenanted that, for the payment of the interest on, the principal of and redemption premium, if any, with respect to this Bond and all other Bonds of this issue authorized by the Indenture when due, there has been created and will be maintained by the Trustee a special fund into which all Revenues (other than deposits to the Rebate Fund created by the Indenture) shall be deposited, and the Corporation has allocated such Revenues solely to the payment of the interest on and principal of and redemption premium, if any, on the Bonds, and the Corporation will pay promptly when due the interest on and the principal of and redemption premium, if any, on this Bond and all other Bonds of this issue authorized by the Indenture out of said special fund, all in accordance with the terms and provisions set forth in the Indenture.

The Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, on any date, in whole or in part, from net insurance proceeds or condemnation awards, upon the terms and conditions of, and as provided in, the Indenture, at the principal amount thereof together with accrued interest to the date of redemption, without premium. If less than all outstanding Bonds are to be redeemed at any time, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem the Bonds, as directed in writing by the City. Subject to the foregoing, if less than all outstanding Bonds maturing by their terms on any one date are to be so redeemed at any one time, Bonds of such maturity date to be redeemed shall be selected in the manner provided herein and in the Indenture.

The Bonds maturing on or before May 1, 20__ are not subject to optional redemption prior to their stated maturity dates. The Bonds maturing on or after May 1, 20__ are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after May 1, 20__, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

As provided in the Indenture, notice of redemption of this Bond shall be given by first class mail not less than 20 days nor more than 60 days before the redemption date to the registered owner hereof. If notice of redemption has been duly given and money for the payment of the redemption price is held by the Trustee, then on the redemption date designated in such notice, this Bond shall become due and payable, and from and after the date so designated,

interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

This Bond is transferable only on the books required to be kept for that purpose at the office of the Trustee by the registered owner hereof in person or by its duly authorized attorney upon payment of the charges provided in the Indenture and upon surrender of this Bond together with a written instrument of transfer duly executed by the registered owner or its duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer of or exchange any Bond (1) during the period commencing on the day five business days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (2) which has been selected for redemption in whole or in part.

The Corporation and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Corporation nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

The rights and obligations of the Corporation and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the maturity of this Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the Corporation to pay the interest hereon or principal hereof at the time and place and at the rate and in the currency provided herein without the express written consent of the registered owner of this Bond, (2) permit the creation by the Corporation of any pledge of the Revenues superior to or on a parity with the pledge created by the Indenture for the benefit of the Bonds, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, all as more fully set forth in the Indenture.

If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all outstanding Bonds the interest thereon, the principal thereof and the redemption premium, if any, thereon at the times and in the manner stipulated herein and in the Indenture, then the registered owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Corporation to the registered owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

It is hereby certified that all acts and proceedings required by law necessary to make this Bond, when executed by the Corporation, authenticated and delivered by the Trustee and duly

issued, the valid, binding and legal limited obligation of the Corporation have been done and taken, and have been in all respects duly authorized.

IN WITNESS WHEREOF, the Municipal Improvement Corporation of Los Angeles has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its _____, and attested to by the manual or facsimile signature of _____, and has caused this Bond to be dated _____, 2023.

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

By: _____
[Title]

ATTEST:

By: _____
[Title]

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within mentioned Indenture which has been authenticated and registered on _____, 2023.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO APPEAR ON SERIES 2023-A BONDS]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____, whose tax identification number is _____, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT B

FORM OF SERIES 2023-A COSTS OF ISSUANCE FUND REQUISITION

To: U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust

Re: Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) Costs of Issuance Fund

Requisition No. _____

The undersigned, on behalf of the Municipal Improvement Corporation of Los Angeles (the "*Corporation*"), hereby requests payment, from the Costs of Issuance Fund identified above, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for services rendered, costs incurred or expenditures made in connection with the issuance of the Bonds identified above, as reflected in the related invoice(s) attached hereto. The payee(s), the purpose and the amount of the disbursement requested are as follows:

PAYEE	PURPOSE	AMOUNT
[name and address]		\$
	Total	\$

The undersigned hereby certify that each obligation mentioned herein has been properly incurred, is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement from the Costs of Issuance Fund. A copy of the bill or statement for each obligation mentioned herein is attached hereto.

Dated: _____, 20__

CITY OF LOS ANGELES

By: _____
[Title]

EXHIBIT C

STANDARD PROVISIONS FOR CITY CONTRACTS

The Trustee agrees to be subject to the following provisions unless otherwise exempt from any of such provisions or unless any of such provisions are not applicable as a matter of law.

Section 1. Independent Contractor. The Trustee is an independent contractor and not an agent or employee of the City. The Trustee shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees or agents to be an agent or employee of the City.

Section 2. Retention of Records, Audits and Reports. The Trustee shall maintain all records, including records of financial transactions, pertaining to the performance of this Indenture, in their original form or as otherwise approved by the City. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by MICLA or the City, (2) the expiration of this Indenture or (3) termination of this Indenture. The records will be subject to examination and audit by authorized City personnel or the City's representatives at any time. The Trustee shall provide any reports requested by the City regarding performance of this Indenture. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Trustee may, upon the City's written approval, submit the required information to the City in an electronic format, e.g. USB flash drive, at the expiration or termination of this Indenture.

Section 3. Taxpayer Identification Number ("TIN") and Withholding Taxes. The Trustee declares that it has an authorized TIN which will be provided to the City on Form W-9 or such equivalent form prior to payment under the Indenture. Payments made under the Indenture shall be subject to any federal or state taxes as may be required to be withheld pursuant to any applicable law or regulation, unless otherwise exempted by such applicable law, regulations, or other evidence of exemption.

Section 4. Warranty and Responsibility of the Trustee. The Trustee warrants that the work performed under the Indenture shall be completed in a manner consistent with professional standards practiced among those firms within the Trustee's profession, doing the same or similar work under the same or similar circumstances.

Section 5. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Indenture is subject to the applicable non-discrimination, equal employment practices, and affirmative action program provisions in the Los Angeles Administrative Code ("LAAC") Section 10.8 et seq., as amended from time to time.

A. The Trustee shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Indenture, the Trustee shall not

discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.

- B. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Indenture by reference and will be known as the "Equal Employment Practices" provisions of this Indenture.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Indenture by reference and will be known as the "Affirmative Action Program" provisions of this Indenture.

Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 6. Child Support Assignment Orders. The Trustee shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, the Trustee (and any subcontractor of the Trustee providing services to the City under this Indenture) shall (1) fully comply with all State and Federal employment reporting requirements for the Trustee's or the subcontractor's employees; (2) certify that the principal owner(s) of the Trustee and applicable subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Indenture.

Failure of the Trustee or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of the Trustee or applicable subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the Trustee under this Indenture. Failure of the Trustee or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Indenture to termination for breach. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 7. Access and Accommodations.

The Trustee represents and certifies that:

- A. The Trustee shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 et seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et seq., the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;

- B. The Trustee shall not discriminate on the basis of disability or on the basis of a person’s relationship to, or association with, a person who has a disability;
- C. The Trustee shall provide reasonable accommodation upon request to ensure equal access to City-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Indenture are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

The Trustee understands that the City is relying upon these certifications and representations as a condition to funding this Indenture. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 8. Contractor Responsibility Ordinance. The Trustee shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 9. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Indenture is valued at \$100,000 or more and requires approval by an elected City office, the Trustee, the Trustee’s principals, and the Trustee’s subcontractors expected to receive at least \$100,000 for performance under this Indenture, and the principals of those subcontractors (the “Restricted Persons”) shall comply with Charter Section 470(c)(12) and Los Angeles Municipal Code (“LAMC”) Section 49.7.35. Failure to comply entitles the City to terminate this Indenture and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected City officials or candidates for elected City office for twelve months after this Indenture is signed. Additionally, a contractor (i.e., the Trustee) subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any contractor (i.e., the Trustee) subject to Charter Section 470(c)(12) shall include the following notice in any contract with any subcontractor to receive at least \$100,000 for performance under this Indenture:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Indenture, dated as of _____ 1, 2023 (the “Indenture”), by and among the Municipal Improvement Corporation of Los Angeles, the City of Los Angeles (the “City”) and U.S. Bank Trust Company, National Association, as the Trustee. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles officials and candidates for elected City office for twelve months after the Dealer Indenture is signed. You are required to

provide the names and contact information of your principals to the Trustee and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of the Dealer Indenture and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

Section 10. Contractor’s Use of Criminal History for Consideration of Employment Applications. The Trustee shall comply with the City’s “Contractor Use of Criminal History for Consideration of Employment Applications” Ordinance, LAAC Section 10.48 et seq., as amended from time to time. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 11. COVID-19. Employees of the Trustee and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, “Contractor Personnel”), while performing services under this Indenture and prior to interacting in person with City employees, contractors, volunteers or members of the public (collectively, “In-Person Services”), must be fully vaccinated against the novel coronavirus 2019 (“COVID-19”). “Fully vaccinated” means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, Trustee shall obtain proof that such Contractor Personnel have been fully vaccinated. Trustee shall retain such proof for the document retention period set forth in this Indenture. Trustee shall grant medical or religious exemptions (“Exemptions”) to Contractor Personnel as required by law. If Trustee wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, Trustee shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by Trustee. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, Trustee shall immediately notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

Exhibit D – Site and Equipment Lease

RECORDING REQUESTED BY AND)
 WHEN RECORDED MAIL TO:)
)
 NIXON PEABODY LLP)
 300 South Grand Avenue, Suite 4100)
 Los Angeles, California 90071-3151)
 Attention: Jade Turner-Bond, Esq.)

(Space above for Recorder's use)

SITE AND EQUIPMENT LEASE

Dated as of _____ 1, 2023

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, as Lessee
 AND THE
 CITY OF LOS ANGELES, as Lessor

\$ _____
 MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
 LEASE REVENUE BONDS, SERIES 2023-A
 (CAPITAL EQUIPMENT AND REAL PROPERTY)

NO DOCUMENTARY TRANSFER TAX DUE. This Site and Equipment Lease is recorded for the benefit of the City of Los Angeles and the recording is fee-exempt under Section 6103 of the California Government Code and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

SITE AND EQUIPMENT LEASE

THIS SITE AND EQUIPMENT LEASE, dated as of _____ 1, 2023 (the “*Site and Equipment Lease*”), is made by and between the CITY OF LOS ANGELES, a municipal corporation and charter city in the State of California (the “*City*”), and the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a California nonprofit public benefit corporation (the “*Corporation*”), having an address c/o City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Assistant Secretary and Assistant Treasurer.

Section 1. Leased Real Property. The City hereby leases to the Corporation and the Corporation hereby rents from the City all of the City’s right, title and interest in and to the real property and improvements (the “*Real Property*”) described in *Exhibit A* hereto (which *Exhibit A* is hereby incorporated herein by this reference), subject to the following terms and conditions. In consideration of such lease by the City to the Corporation, the Corporation shall sublease the Real Property back to the City pursuant to that certain Lease Agreement, dated as of _____ 1, 2023 (the “*Lease Agreement*”), by and between the City and the Corporation.

Section 2. Leased Capital Equipment. The City hereby leases to the Corporation and the Corporation hereby rents from the City all of the City’s right, title and interest in and to the items of capital equipment (the “*Capital Equipment*” and, together with the Real Property, the “*Property*”) described in *Exhibit B* hereto (which *Exhibit B* is hereby incorporated herein by this reference), subject to the following terms and conditions. In consideration of such lease by the City to the Corporation, the Corporation shall sublease the Capital Equipment back to the City pursuant to the Lease Agreement.

Section 3. Term.

(a) Real Property. The term of this Site and Equipment Lease shall commence on the Closing Date, and shall end for the respective Real Property on the dates identified in Exhibit C hereto, unless such term is extended or sooner terminated as hereinafter provided. If on such dates the Basic Lease Payments and Additional Payments attributable to the related Real Property and all other amounts then due under the Lease Agreement with respect to such Real Property or any amount remains due and owing with respect to the Bonds, shall not be fully paid, or if the Basic Lease Payments and Additional Payments payable under the Lease Agreement with respect to such Real Property shall have been abated at any time and for any reason, then the term of this Site and Equipment Lease with respect to such Real Property then-subject to the Lease Agreement shall be extended until ten (10) days after the Basic Lease Payments and Additional Payments attributable to such Real Property and all other amounts then due under the Lease Agreement with respect to such Real Property, and all amount remains due and owing with respect to the Bonds, shall be fully paid except that the term of this Site and Equipment Lease as to the respective Real Property shall in no event be extended beyond ten (10) years after the date identified with respect thereto. If prior to such date the Basic Lease Payments and Additional Payments attributable to the related Real Property and all other amounts then due under the Lease Agreement with respect to such Real Property shall be fully paid or provision therefor made, the term of this Site and Equipment Lease with respect to such Real Property shall end ten (10) days thereafter or upon written notice by the City to the

Corporation, whichever is earlier; provided that with respect to the Series 2023-A Bonds and any provision for payment being made whether by defeasance or otherwise, this Site and Equipment Lease shall remain outstanding for federal tax purposes until the actual payment in full of all principal and interest on the Series 2023-A Bonds.

(b) Capital Equipment. With respect to the Capital Equipment, the Term of this Site and Equipment Lease shall commence on the Closing Date hereof, and shall end on May 1, 2033 unless such term is otherwise terminated or extended as hereinafter provided. If on May 1, 2033, the Bonds shall not be discharged by their terms, or if the Basic Lease Payments and Additional Payments hereunder shall have been abated at any time and for any reason, then the Term of this Lease Agreement shall be extended until the Indenture shall be discharged by its terms (but not later than May 1, 2043). If prior to such date the Basic Lease Payments and Additional Payments attributable to the related Capital Equipment and all other amounts then due under the Lease Agreement with respect to such Capital Equipment shall be fully paid or provision therefor made, the term of this Site and Equipment Lease with respect to such Capital Equipment shall end ten (10) days thereafter or upon written notice by the City to the Corporation, whichever is earlier; provided that with respect to the Series 2023-A Bonds and any provision for payment being made whether by defeasance or otherwise, this Site and Equipment Lease shall remain outstanding for federal tax purposes until the actual payment in full of all principal and interest on the Series 2023-A Bonds.

Section 4. Rental. The Corporation shall pay to the City as and for rental of the Property hereunder the sum of One Dollar (\$1.00), all of which shall be payable on the Closing Date.

Section 5. Termination. Upon the termination or expiration of this Site and Equipment Lease, the Corporation shall quit and surrender the Property in the same good order and condition as the same was in at the time of commencement of the term hereunder, except for acts of God and reasonable wear and tear and any actions taken by the City that may affect the condition of the Property, and agrees that any permanent improvements and structures existing upon the Real Property at the time of such termination or expiration of this Site and Equipment Lease shall remain thereon and title thereto shall vest in the City.

Section 6. Ownership. The City represents and covenants that it is the sole owner of and holds fee title to the Real Property and the Capital Equipment free and clear of any encumbrances other than Permitted Encumbrances, and has full power and authority to enter into this Site and Equipment Lease and the Lease Agreement.

Section 7. Payments and Taxes. The City shall be responsible for all documentary stamps to be affixed to any documents to be recorded pursuant hereto, and for any other tax, recording fees and other expenses payable by reason of the improvement and/or lease of the Real Property.

Section 8. Indemnity. The City agrees to indemnify the Corporation for and to hold the Corporation harmless against any and all claims, taxes, and any and all expenses (including reasonable attorney's fees), losses and liabilities paid, suffered or incurred as a result of such

claims, made at any time by any person with regard to the Property on or prior to the date hereof or arising on or prior to the date hereof.

Section 9. Purpose. The Corporation shall use the Property for the purposes described in the Lease Agreement and for such other purposes as may be incidental thereto.

Section 10. Assignment. The Corporation shall not assign, mortgage, hypothecate or otherwise encumber this Site and Equipment Lease or any rights hereunder or the leasehold created hereby by trust agreement, indenture or deed of trust or otherwise or sublet the Property without the written consent of the City (unless a default or Event of Default under the Lease Agreement or the Indenture shall have occurred and be continuing, in which case the consent of the City shall not be required), except that the City expressly approves and consents to the Lease Agreement, the Assignment Agreement, dated as of _____ 1, 2023, by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the Indenture, dated as of _____ 1, 2023 (the “Indenture”), by and among the City, the Corporation and the Trustee, the pledge and assignment to the Trustee, and the granting to the Trustee of a security interest in and lien on, certain of the Corporation’s right, title and interest in and to the Property, including the Corporation’s right to receive Basic Lease Payments, pursuant to the Indenture.

Section 11. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Real Property at any reasonable time.

Section 12. Expiration. The Corporation agrees, upon the expiration of this Site and Equipment Lease, to quit and surrender the Real Property and the Capital Equipment.

Section 13. Quiet Enjoyment. The Corporation at all times during the term of this Site and Equipment Lease shall peaceably and quietly have, hold and enjoy all of the Property.

Section 14. Eminent Domain. If the Real Property shall be taken under the power of eminent domain, the interest of the Corporation shall be recognized and is hereby determined to be the aggregate amount of unpaid Basic Lease Payments and Additional Lease Payments with respect to the Real Property under the Lease Agreement through the remainder of its term (excluding any contingent or potential liabilities), and such proceeds shall be paid to the Trustee, as assignee of the interest of the Corporation hereunder, in accordance with the terms of the Assignment Agreement, the Lease Agreement and the Indenture.

Section 15. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given such terms in the Lease Agreement.

Section 16. Amendments. Except as set forth below, the City and the Corporation shall not alter, modify or cancel, or agree or consent to alter, modify or cancel this Site and Equipment Lease excepting only such alteration or modification as may be permitted by Article III of the Indenture.

This Site and Equipment Lease may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the City or the Corporation, other agreements, conditions, covenants and terms hereafter to be observed or performed by the City or the Corporation, or to surrender any right reserved herein to or conferred herein on the City or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the City or the Corporation may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Real Property to add or delete the property description of Real Property, or to provide for substitution, release or addition of Real Property or Capital Equipment pursuant to the Lease Agreement;

(d) to make any modifications or changes to this Site and Equipment Lease including any increase or decrease in Basic Lease Payments resulting therefrom in order to enable the execution and delivery of Additional Bonds on a parity with the Series 2023-A Bonds (unless otherwise provided in any Supplemental Indenture) in accordance with Article III of the Indenture and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Additional Bonds; or

(e) to make any other modification or change to the provisions of this Site and Equipment Lease which does not materially adversely affect the interests of the Owners of the Bonds.

No change, modification or waiver of any provisions hereof will be valid unless in writing, signed by the party to be bound. This Site and Equipment Lease will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, executors, administrators, successors and assignees.

Section 17. No Merger. The parties intend and agree that there shall be no merger of interest in the Real Property or the Capital Equipment on behalf of the City or the Corporation of the City's fee ownership of the Real Property or the Capital Equipment with any interest of the City or the Corporation under this Site and Equipment Lease or under the Lease Agreement.

Section 18. Section Headings and References. The headings or titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Sections" and other subdivisions or clauses are to the corresponding sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Site and Equipment Lease as a whole and not to any particular section, subdivision or clause hereof. The use herein of the words "including" and "includes," and words of similar import, shall be deemed to be followed by the phrase "without limitation."

Section 19. Governing Law. This Site and Equipment Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 20. Execution in Counterparts. This Site and Equipment Lease may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Site and Equipment Lease as of the date first above written.

CITY OF LOS ANGELES, as Lessor

By: _____
Benjamin Ceja
Assistant City Administrative Officer

APPROVED AS TO FORM:

HYDEE FELDSTEIN SOTO,
City Attorney

By: _____
Deputy City Attorney

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES, as Lessee

By: _____
Ha To
Assistant Secretary and Assistant
Treasurer

- Signature Page to Site and Equipment Lease -

Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2023-A (Capital Equipment and Real Property)

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

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature (Seal)

<p>A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.</p>

STATE OF CALIFORNIA)
)
 COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature	(Seal)
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[CERTIFICATE OF ACCEPTANCE

In accordance with Section 27281 of the California Governmental Code, this is to certify that the interest in the Real Property conveyed under the Site and Equipment Lease Agreement, dated as of _____ 1, 2023, by and between the City of Los Angeles, a charter city and municipal corporation duly organized and existing under its charter and the laws and Constitution of the State of California, as lessor, and the Municipal Improvement Corporation of Los Angeles (the “Corporation”), a California nonprofit public benefit corporation, as lessee, is hereby accepted by the undersigned officer or agent on behalf of the Corporation, pursuant to authority conferred by resolution of the Board of Directors of the Corporation adopted on [_____] , 2023, and the Corporation consents to recordation thereof by its duly authorized officer.

Dated as of [_____] , 2023

MUNICIPAL IMPROVEMENT
CORPORATION OF LOS ANGELES

By: _____
Name: Ha To
Title: Assistant Secretary and Assistant
Treasurer]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

SITE 1

**NORTH CENTRAL DISTRICT YARD
(452 SAN FERNANDO RD, LOS ANGELES, CA 90031)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAN FERNANDO ROAD, (FORMERLY AVENUE 20) AS SAID ROAD WAS ESTABLISHED BY FINAL DECREE RENDERED OCTOBER 24, 1917 IN THE LOS ANGELES COUNTY SUPERIOR COURT CASE NO. 71131, DISTANT THEREON 20 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAN FERNANDO ROAD, 130 FEET; THENCE EASTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8, 160 FEET, MORE OR LESS, TO A POINT IN THE CENTER LINE OF THE SPUR TRACK OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS LOCATED NOVEMBER 7, 1917, AND BEING THE SOUTHWEST CORNER OF THE LAND CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, A CORPORATION, BY DEED DATED NOVEMBER 7, 1917, RECORDED IN BOOK 6601 PAGE 43 OF DEEDS; THENCE NORTHERLY ALONG SAID CENTER LINE BEING THE WESTERLY LINE OF THE LAND SO CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, A CORPORATION, TO A POINT 20 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8, MEASURED ALONG A LINE DRAWN PARALLEL WITH THE EASTERLY LINE OF SAID SAN FERNANDO VALLEY ROAD; THENCE WESTERLY PARALLEL WITH SAID NORTHERLY LINE OF SAID BLOCK 8 TO THE POINT OF BEGINNING.

PARCEL 2:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF

MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAN FERNANDO ROAD, FORMERLY AVENUE 20, AS ESTABLISHED WITH A WIDTH OF 80 FEET BY A DECREE ENTERED IN LOS ANGELES COUNTY SUPERIOR COURT CASE NO. 71131, SAID POINT LYING SOUTHERLY 500.40 FEET FROM THE NORTHERLY LINE OF SAID BLOCK 8 AND MEASURED ALONG SAID EASTERLY LINE; THENCE EASTERLY AT RIGHT ANGLES, A DISTANCE OF 60 FEET; THENCE SOUTHERLY AT RIGHT ANGLES TO THE NORTHWESTERLY LINE OF THE RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD CO.; THENCE SOUTHWESTERLY ALONG SAID NORTHWESTERLY RIGHT OF WAY LINE TO SAID EASTERLY LINE OF SAID SAN FERNANDO ROAD, SAID POINT BEING MARKED BY A SEMI-BURIED RAIL; THENCE NORTHERLY ALONG SAID EASTERLY LINE 29.34 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION, IF ANY, LYING EASTERLY OF THE EASTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO HAYWARD LUMBER AND INVESTMENT COMPANY, RECORDED JANUARY 4, 1922 AS INSTRUMENT NO. 706, IN BOOK 744 PAGE 230, OFFICIAL RECORDS OF SAID COUNTY.

PARCEL 3:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, FORMERLY AVENUE, 20 AS ESTABLISHED WITH A WIDTH OF 80 FEET BY FINAL DECREE ENTERED OCTOBER 24, 1917 IN CASE NO. 71131 OF THE SUPERIOR COURT OF SAID COUNTY, SAID POINT BEING DISTANT 200.00 FEET SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE FROM THE NORTHWESTERLY LINE OF SAID BLOCK 8; THENCE SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE, A DISTANCE OF 300.40 FEET TO THE NORTHWESTERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO FRANK ROSE AND WIFE, RECORDED ON MAY 21, 1956 AS INSTRUMENT NO. 916 IN BOOK 51232 PAGE 230, OFFICIAL RECORDS; THENCE ALONG THE BOUNDARY LINES OF THE LAND DESCRIBED IN THE LAST RECITED DEED, NORTHEASTERLY AT RIGHT ANGLES FROM SAID NORTHEASTERLY LINE OF SAN FERNANDO ROAD, A DISTANCE OF 60.00 FEET AND SOUTHEASTERLY AT RIGHT ANGLES FROM SAID LAST RECITED COURSE, TO THE NORTHWESTERLY LINE OF THE RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY; THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY LINE TO THE CENTER LINE OF THE SPUR TRACK OF SAID RAILROAD COMPANY AS THE SAME WAS LOCATED ON

NOVEMBER 7, 1917; THENCE IN A GENERAL NORTHERLY DIRECTION, FOLLOWING SAID CENTER LINE, TO THE SOUTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO THE EASTSIDE ROCK AND GRAVEL COMPANY, RECORDED IN BOOK 6601 PAGE 43 OF DEEDS, RECORDS OF SAID COUNTY, SAID POINT BEING ALSO THE MOST EASTERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO HOME SERVICE CORPORATION, RECORDED ON APRIL 20, 1954 AS INSTRUMENT NO. 1056 IN BOOK 44369 PAGE 182, OFFICIAL RECORDS; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LAST RECITED LAND TO A POINT DISTANT 145 FEET NORTHEASTERLY, MEASURED AT RIGHT ANGLES FROM SAID NORTHEASTERLY LINE OF SAN FERNANDO ROAD, SAID POINT BEING ALSO THE MOST NORTHERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO JESSIE O. WAKELIN, RECORDED ON JANUARY 5, 1921 IN BOOK 42 PAGE 6 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE SOUTHEASTERLY ALONG THE NORTHEASTERLY LINE OF SAID LAND OF WAKELIN, A DISTANCE OF 50.00 FEET TO THE MOST EASTERLY CORNER OF SAID LAND; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LAND OF WAKELIN, A DISTANCE OF 145.00 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

THE WESTERLY 145 FEET OF THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAN FERNANDO ROAD (FORMERLY AVENUE 20) AS SAID ROAD WAS ESTABLISHED BY FINAL DECREE RENDERED OCTOBER 24, 1917, IN THE SUPERIOR COURT OF SAID COUNTY, IN ACTION NO. 71131, A DISTANCE THEREON OF 150 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8; THENCE SOUTH ALONG SAID EASTERLY LINE OF SAN FERNANDO ROAD, 50 FEET; THENCE EASTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8 TO THE CENTER LINE OF THE SPUR TRACK OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS LOCATED NOVEMBER 7, 1917; THENCE NORTHERLY ALONG SAID CENTER LINE TO THE SOUTHWEST CORNER OF THE LAND CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, BY DEED RECORDED IN BOOK 6601 PAGE 43 OF DEEDS; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8 TO THE POINT OF BEGINNING.

PARCEL 5:

A PARCEL OF LAND, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF LOT 2 OF TRACT NO. 2358, AS PER MAP RECORDED IN BOOK 23 PAGES 118 AND 119 OF MAPS, RECORDS OF LOS ANGELES COUNTY, SAID POINT OF BEGINNING BEING IN THE SOUTHWESTERLY LINE OF AVENUE TWENTY-SIX; THENCE SOUTH 37 DEGREES 34 MINUTES 30 SECONDS EAST ALONG SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-SIX TO A POINT DISTANT ON SAID SOUTHWESTERLY LINE NORTH 37 DEGREES 34 MINUTES 30 SECONDS WEST 772.13 FEET FROM THE NORTHWESTERLY LINE OF HUMBOLDT STREET (60 FEET IN WIDTH) SAID LAST MENTIONED POINT BEING IN THE NORTHWESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN DEED RECORDED IN BOOK 10078 PAGE 291 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTH 50 DEGREES 02 MINUTES 30 SECONDS WEST ALONG SAID NORTHWESTERLY LINE 99.75 FEET TO THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG THE NORTHWESTERLY LINE OF SAID LAND DESCRIBED IN SAID DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, THE SAME BEING A CURVE, CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 1885.08 FEET, AN ARC DISTANCE OF 24.41 FEET; THENCE SOUTH 57 DEGREES 22 MINUTES 45 SECONDS WEST AND CONTINUING ALONG SAID NORTHWESTERLY LINE OF SAID LAND DESCRIBED IN SAID DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, A DISTANCE OF 182.60 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-THREE; THENCE SOUTH 61 DEGREES 57 MINUTES 15 SECONDS WEST AT RIGHT ANGLES TO SAID NORTHEASTERLY LINE OF AVENUE TWENTY-THREE, A DISTANCE OF 30 FEET TO THE CENTER LINE OF SAID AVENUE TWENTY-THREE; THENCE SOUTH 28 DEGREES 02 MINUTES 45 SECONDS EAST ALONG SAID CENTER LINE, A DISTANCE OF 40.07 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 57 MINUTES 15 SECONDS EAST FROM THE POINT OF INTERSECTION OF THE SOUTHWESTERLY LINE OF AVENUE TWENTY-THREE WITH THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 10147 PAGE 86 OF OFFICIAL RECORDS, OF SAID COUNTY; SAID LAST MENTIONED POINT BEING DISTANT ALONG SAID LAST MENTIONED SOUTHWESTERLY LINE NORTH 28 DEGREES 02 MINUTES 45 SECONDS WEST 774.08 FEET FROM THE NORTHWESTERLY LINE OF HUMBOLDT STREET (30 FEET IN WIDTH); THENCE SOUTH 61 DEGREES 57 MINUTES 15 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-THREE; THENCE SOUTH 50 DEGREES 02 MINUTES 30 SECONDS WEST ALONG SAID LAST MENTIONED NORTHWESTERLY LINE, A DISTANCE OF 336.86 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-TWO (60 FEET IN WIDTH) DISTANT THEREON NORTH 28 DEGREES 02 MINUTES 25 SECONDS WEST 764.87 FEET FROM SAID LAST MENTIONED NORTHWESTERLY LINE OF SAID HUMBOLDT STREET; THENCE SOUTH 61 DEGREES 57 MINUTES 35 SECONDS WEST, A DISTANCE OF 30 FEET TO A POINT IN THE CENTER LINE OF SAID AVENUE TWENTY-TWO; THENCE SOUTH 28 DEGREES 02 MINUTES 25 SECONDS EAST ALONG SAID LAST MENTIONED CENTER LINE, 2.75 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 57 MINUTES 35 SECONDS EAST FROM THE POINT OF INTERSECTION OF THE SOUTHWESTERLY LINE OF AVENUE TWENTY-TWO WITH THE NORTHWESTERLY LINE OF THE LAND

DESCRIBED IN DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, RECORDS OF SAID COUNTY, SAID LAST MENTIONED POINT BEING DISTANT ALONG SAID LAST MENTIONED SOUTHWESTERLY LINE NORTH 28 DEGREES 02 MINUTES 25 SECONDS WEST 773.1 FEET FROM SAID LAST MENTIONED NORTHWESTERLY LINE OF HUMBOLDT STREET; THENCE SOUTH 61 DEGREES 57 MINUTES 35 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-TWO; THENCE SOUTH 40 DEGREES 22 MINUTES 45 SECONDS WEST ALONG SAID NORTHWESTERLY LINE, A DISTANCE OF 82.51 FEET TO THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 10078 PAGE 291, OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG SAID LAST MENTIONED NORTHWESTERLY LINE, THE SAME BEING A CURVE CONCAVE TO THE SOUTHEAST AND HAVING A RADIUS OF 2335 FEET, AN ARC DISTANCE OF 263.95 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-ONE (60 FEET IN WIDTH); THENCE SOUTH 61 DEGREES 31 MINUTES 55 SECONDS WEST AT RIGHT ANGLES OF SAID NORTHEASTERLY LINE OF AVENUE TWENTY-ONE, A DISTANCE OF 30 FEET TO A POINT IN THE CENTER LINE OF SAID AVENUE TWENTY-ONE; THENCE SOUTH 28 DEGREES 28 MINUTES 05 SECONDS EAST ALONG SAID LAST MENTIONED CENTER LINE, A DISTANCE OF 5.02 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 31 MINUTES 55 SECONDS EAST FROM A POINT IN THE SOUTHWESTERLY LINE OF AVENUE TWENTY-ONE, DISTANT THEREON NORTH 28 DEGREES 28 MINUTES 05 SECONDS WEST 45.20 FEET FROM THE MOST EASTERLY CORNER OF BLOCK 8 ADDITIONAL SUBDIVISION IN THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 MISCELLANEOUS RECORDS, OF SAID COUNTY; THENCE SOUTH 61 DEGREES 31 MINUTES 55 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID LAST MENTIONED SOUTHWESTERLY LINE; THENCE ALONG THE SAID SOUTHWESTERLY LINE SOUTH 28 DEGREES 28 MINUTES 05 SECONDS EAST TO A LINE PARALLEL WITH AND 22.50 FEET NORTHWESTERLY MEASURED AT RIGHT ANGLES FROM THE SOUTHWESTERLY LINE OF THE LAND DESCRIBED IN THE DEED RECORDED IN BOOK 1312 PAGE 124 OF OFFICIAL RECORDS; THENCE SOUTHWESTERLY ALONG THE SAID PARALLEL LINE TO THE WESTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO THE SAID CITY OF LOS ANGELES, RECORDED AUGUST 1, 1922 AS INSTRUMENT NO. 1014 IN BOOK 1312 PAGE 124 OF OFFICIAL RECORDS; THENCE NORTHERLY ALONG THE CURVED WESTERLY LINE OF SAID LAND, BEING A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 256.29 FEET TO THE TANGENT COURSE IN THE SAID WESTERLY LINE; THENCE ALONG THE SAID TANGENT COURSE AND ITS PROLONGATION, NORTH 34 DEGREES 04 MINUTES WEST TO A LINE PARALLEL WITH AND 30 FEET NORTHWESTERLY MEASURED AT RIGHT ANGLES FROM THE NORTHWESTERLY LINE OF BLOCK 8, ADDITIONAL SUBDIVISION IN THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG THE SAID LAST MENTIONED PARALLEL LINE TO THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, 80 FEET WIDE, FORMERLY AVENUE 20; THENCE NORTHWESTERLY ALONG THE SAID NORTHEASTERLY LINE TO THE NORTHWEST LINE OF SAID LOT 31 1/2; THENCE NORTHEASTERLY ALONG THE LAST MENTIONED NORTHWESTERLY

LINE, TO AND ALONG THE NORTHWESTERLY LINE OF SAID LOT 2, TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF LYING WITHIN THE LINES OF AVENUE TWENTY-ONE, 60 FEET WIDE, (FORMERLY CHESTNUT STREET), AS SHOWN ON THE MAP OF THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION INCLUDED WITHIN LACY STREET, 50 FEET WIDE, ALL OR PORTIONS OF WHICH ARE DESCRIBED IN ORDINANCE NO. 110,003 OF THE CITY OF LOS ANGELES ADOPTED AUGUST 27, 1957.

ALSO EXCEPT THEREFROM THOSE PORTIONS LYING NORTHEASTERLY AND EASTERLY OF THE SOUTHWESTERLY AND WESTERLY BOUNDARY LINES OF THE LAND DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED APRIL 27, 1960 AS INSTRUMENT NO. 3263, OF OFFICIAL RECORDS.

APN: 5447-003-901

SITE 2

**FIRE STATION NO. 10
(1335 S. OLIVE ST., LOS ANGELES, CA 90015)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 14 AND 16 IN BLOCK "F" OF MORRIS VINEYARD SUBDIVISION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 38 AND 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

EXCEPT THEREFROM THE SOUTHEASTERLY 20 FEET AS CONDEMNED FOR THE WIDENING OF OLIVE STREET.

PARCEL 2:

LOT 18 IN BLOCK "F" OF MORRIS VINEYARD SUBDIVISION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 38 AND 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

APN: 5134-025-900

SITE 3

**FIRE STATION NO. 41
(1439 N. GARDNER ST., LOS ANGELES, CA 90046)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

NORTHERLY 50 FEET OF LOT 320 OF TRACT NO. 461 IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 18 PAGE 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS IN, UNDER AND RECOVERABLE FROM THE ABOVE DESCRIBED REAL PROPERTY BUT WITHOUT THE RIGHT TO ENTER DRILL OR PENETRATE IN OR UPON THE SURFACE THEREOF FOR THE PURPOSES OF REMOVING SAID CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS AS RESERVED IN DOCUMENT RECORDED APRIL 12, 1984 AS INSTRUMENT NO. 84-440030 OF OFFICIAL RECORDS.

PARCEL 2:

LOT 321 OF TRACT NO. 461, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 18 PAGE 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5550-025-901, 5550-025-904

SITE 4

**LOS ANGELES POLICE DEPARTMENT EMERGENCY SERVICES DIVISION
FACILITY
(2029 N. MAIN ST., LOS ANGELES, CA 90031)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 1, 2, 3, 4, 5 AND 6 IN BLOCK 10 OF THE HOMESTEAD TRACT OF THE PIONEER BUILDING LOT ASSOCIATION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 70 AND 71 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE STRIP OF LAND ADJACENT TO SAID LOT AND LYING BETWEEN THE SOUTH LINE THEREOF AND THE NORTH LINE OF MAIN STREET, AS NOW ESTABLISHED AND BOUNDED EAST AND WEST BY THE SOUTHERLY PROLONGATION OF THE EAST AND WEST LINES OF SAID LOT.

PARCEL 2:

LOT 7 IN BLOCK 10 OF THE HOMESTEAD TRACT OF THE PIONEER BUILDING LOT ASSOCIATION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 70 AND 71 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5410-018-900, -901, -902, -903, -904, -905

SITE 5

**FIRE STATION NO. 92
(10556 W. PICO BLVD., LOS ANGELES, CA 90064)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 19, 20, 21 AND 22 OF TRACT NO. 7156, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 80 PAGES 1 TO 5, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4318-002-900

SITE 6

**[LOS ANGELES POLICE DEPARTMENT WAREHOUSE
(4671 WORTH STREET, LOS ANGELES, CA 90063)]**

[Legal Description to come]

EXHIBIT B

CAPITAL EQUIPMENT SCHEDULE

**[EQUIPMENT SCHEDULE TO CONSIST OF CAPITAL EQUIPMENT FINANCED OR REFINANCED BY
THE COMMERCIAL PAPER TO BE RETIRED BY PROCEEDS OF THE SERIES 2023-A BONDS]**

EXHIBIT C

LEASE TERMS

<u>Facility</u>	<u>Term</u>	<u>Maximum Extension</u>
North Central District Yard	[May 1, 2043]	[May 1, 2053]
Fire Station No. 10	[May 1, 2043]	[May 1, 2053]
Fire Station No. 41	[May 1, 2043]	[May 1, 2053]
Los Angeles Police Department Emergency Services Division Facility	[May 1, 2043]	[May 1, 2053]
Fire Station No. 92	[May 1, 2043]	[May 1, 2053]
[Los Angeles Police Department Warehouse]	[May 1, 2043]	[May 1, 2053]

Exhibit E – Lease Agreement

RECORDING REQUESTED BY AND)
 WHEN RECORDED MAIL TO:)
)
 NIXON PEABODY LLP)
 300 South Grand Avenue, Suite 4100)
 Los Angeles, California 90071-3151)
 Attention: Jade Turner-Bond, Esq.)

(Space above for Recorder’s use)

LEASE AGREEMENT

Dated as of _____ 1, 2023

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, AS LESSOR
 AND THE
 CITY OF LOS ANGELES, AS LESSEE

\$_[_____]
 MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
 LEASE REVENUE BONDS, SERIES 2023-A
 (CAPITAL EQUIPMENT AND REAL PROPERTY)

NO DOCUMENTARY TRANSFER TAX DUE. This Lease Agreement is recorded for the benefit of the City of Los Angeles and the recording is fee-exempt under Section 6103 of the California Government Code and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of _____ 1, 2023 (this "*Lease Agreement*"), is made and entered into by and between the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, as lessor (the "*Corporation*"), and the CITY OF LOS ANGELES, a charter city and municipal corporation duly organized and existing under the Constitution and laws of said State, as lessee (the "*City*").

WITNESSETH

WHEREAS, the City is authorized pursuant to the laws of the State of California and its charter to lease and acquire real and personal property for municipal purposes; and

WHEREAS, the Corporation is authorized under its Articles of Incorporation and its bylaws to provide assistance to the City for any municipal purpose thereof, including acquiring, constructing, improving, financing or refinancing, any real or personal property or equipment and leasing such real or personal property or equipment for the use, benefit and enjoyment of the public; and

WHEREAS, the Corporation proposes to lease from the City certain land (the "*Land*") owned by the City and more particularly described in the attached *Exhibit A* which is incorporated herein by this reference, and the building and related improvements (the "*Improvements*" and collectively with the Land, the "*Real Property*") located thereon, pursuant to a Site and Equipment Lease, dated as of the date hereof (the "*Site and Equipment Lease*"), and sublease the Real Property to the City pursuant to this Lease Agreement; and

WHEREAS, the Corporation proposes to lease from the City certain items of equipment owned by the City and designated from time to time in the Capital Equipment Schedule (the "*Capital Equipment*" and together with the Real Property, the "*Property*") attached as *Exhibit B* which is incorporated herein by this reference, pursuant to the Site and Equipment Lease, and sublease the Capital Equipment to the City pursuant to this Lease Agreement; and

WHEREAS, the City desires to sublease the Property from the Corporation; and

WHEREAS, all acts, conditions and things required by law to exist, to have occurred and to have been performed precedent to and in connection with the execution and entering into of this Lease Agreement do exist, have occurred and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Lease Agreement;

NOW, THEREFORE, in consideration of the above-mentioned premises and personal property and of the mutual agreements and covenants hereinafter contained and for other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Lease Agreement have the meanings herein specified. Certain capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture.

“Additional Bonds” means the lease revenue bonds issued from time to time, pursuant to Section 7.3 of this Lease Agreement and Article III of the Indenture.

“Additional Payments” means the amounts payable by the City pursuant to Section 3.7 of this Lease Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of _____ 1, 2023, by and between the Corporation and the Trustee whereby the Corporation assigns to the Trustee for the benefit of the Bond Owners certain of the Corporation’s right, title and interest in and to the Site and Equipment Lease and this Lease Agreement, including the right to receive Basic Lease Payments, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Basic Lease Payments” means the Series 2023-A Basic Lease Payments.

“Bond” or *“Bonds”* means the Series 2023-A Bonds and any Additional Bonds.

“Bond Counsel” means Nixon Peabody LLP or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to: (i) the tax status under federal laws and regulations of interest on obligations issued by or executed on behalf of states and their political subdivisions, as designated by the City and (ii) municipal obligations.

“Bond Fund” means the Bond Fund established and held by the Trustee pursuant to Sections 4.01 and 5.03 of the Indenture.

“Capital Equipment” means an item or items of capital equipment designated from time to time by the City that are described in the Capital Equipment Schedule, as such Capital Equipment Schedule may be amended or supplemented from time to time in accordance with the terms of this Lease Agreement, and which are being or will be leased to the City pursuant to this Lease Agreement.

“Capital Equipment Schedule” means the Schedule of Capital Equipment attached hereto as *Exhibit B*.

“City” means the City of Los Angeles, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State.

“City Representative” means the City Administrative Officer or any Assistant City Administrative Officer, or such other employee of the City as the City Administrative Officer or

any Assistant City Administrative Officer shall designate in writing, acting on behalf of the City with respect to this Lease Agreement and the Indenture.

“*Closing Date*” means the day when the Series 2023-A Bonds are issued to the original purchasers thereof.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder.

“*Corporation*” means the Municipal Improvement Corporation of Los Angeles, a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State, and any successor entity.

“*Corporation Representative*” means any member of the Board of Directors of the Corporation or the President, Vice President, Secretary, Assistant Secretary or Assistant Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to this Lease Agreement or the Indenture.

“*Costs of Issuance*” has the meaning given such term in the Indenture.

“*Hazardous Materials*” has the meaning contained in Section 4.13 hereof.

“*Improvements*” means, except as otherwise provided herein, the buildings and related improvements located on the Land.

“*Indenture*” means the Indenture, dated as of _____ 1, 2023, by and among the Trustee, the City and the Corporation, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions thereof.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the City.

“*Insurance Proceeds and Condemnation Awards Fund*” means the fund with such name established and held by the Trustee pursuant to Section 6.07(a) of the Indenture.

“*Land*” means that certain Land more particularly described in *Exhibit A* attached hereto and incorporated herein by this reference.

“*Lease Agreement*” means this Lease Agreement as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

“*Lease Payment Date*” means the fifteenth (15th) day of April and October in each year during the Term of this Lease Agreement, commencing April 15, 2024, except that if the Principal Corporate Trust Office of the Trustee is not open for business on any such date, then that Lease Payment Date shall be the next day on which such office is open for business.

“*Lease Payments*” shall mean the Basic Lease Payments and the Additional Payments.

“*Net Proceeds*” means any insurance proceeds (including self-insurance proceeds), condemnation or eminent domain award, paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Official Statement*” means the Official Statement dated [_____], 2023, relating to the Series 2023-A Bonds.

“*Owner*” or “*Bond Owner*” or “*Owner of a Bond*”, or any similar terms when used with respect to a Bond means the person in whose name such fully registered Bond shall be registered on the Bond registration books maintained by the Trustee pursuant to Section 2.08 of the Indenture.

“*Permitted Encumbrances*” means, as of any particular time, (a) as it relates to any Real Property: (i) liens for taxes, including general ad valorem taxes, and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Section 4.1 hereof, permit to remain unpaid, (ii) the Site and Equipment Lease (including any amendment thereto), (iii) this Lease Agreement (including any amendment thereto), (iv), the Assignment Agreement (including any amendment thereto), (v) the pledge under the Indenture (including any amendment thereto), (vi) any encumbrance, indebtedness and leases permitted under Sections 7.2 and 7.3 hereof, (vii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law or any mechanics or other liens permitted under Section 4.2 hereof, (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions in existence on the Closing Date and as may come into existence after the Closing Date which the City certifies do not materially impair the use of the Real Property, (ix) easements, rights of way and licenses granted to persons who develop or use the real property adjacent to the Real Property which the City certifies will not damage, reduce the fair market value of or materially impair the use of the Real Property, and (x) the leases with tenants of the Real Property in existence as of the Closing Date and as may come into existence after the Closing Date; and (b) as it relates to any Capital Equipment, (i) liens for taxes and assessments not then delinquent, (ii) the Site and Equipment Lease, this Lease Agreement, the Assignment Agreement and the Indenture and in each case any amendments thereto, (iii) the City’s, the Corporation’s and the Trustee’s interest in the Capital Equipment, and (iv) liens for unpaid taxes, so long as such liens are being contested in good faith by appropriate proceedings diligently conducted so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Capital Equipment.

“*Principal Corporate Trust Office*” means the corporate trust office of the Trustee, in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“*Property*” means, collectively, the Real Property and the Capital Equipment.

“*Real Property*” means the Land and the Improvements, including all improvements and facilities currently existing thereon, together with all other improvements, facilities and property hereafter acquired, constructed and improved on the Real Property pursuant to Section 4.2 hereof,

but excluding improvements or items excluded under Section 4.2 hereof and excluding, for Real Property subleased pursuant to Section 7.2 hereof, new improvements (other than modifications of existing improvements) subsequently constructed on such subleased Real Property with moneys other than proceeds of the Bonds.

“Rental Period” means each twelve-month period during the Term of this Lease Agreement commencing on May 2 in any year and ending on May 1 in the next succeeding year; except that the first Rental Period during the term of this Lease Agreement shall commence on the Closing Date and end on May 1, 2024.

“Series 2023-A Basic Lease Payments” means the payments required to be made by the City on any date pursuant to Section 3.4 of this Lease Agreement, as set forth in Exhibit C-1, including any prepayment thereof pursuant to Article IX hereof.

“Series 2023-A Bonds” means the \$[_____] aggregate principal amount of Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) to be issued pursuant to the Indenture.

“Site and Equipment Lease” means the Site and Equipment Lease, dated as of _____ 1, 2023, by and between the City, as lessor, and the Corporation, as lessee, pursuant to which the City leases the Property to the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“State” means the State of California.

“Supplemental Indenture” means a Supplemental Indenture entered into pursuant to Article III or Article VIII of the Indenture.

“Term of this Lease Agreement” or *“Term”* means the time during which this Lease Agreement is in effect, as provided for in Section 3.2 hereof.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and validly existing under the laws of the United States of America, or any successor thereto acting as Trustee pursuant to the Indenture.

Section 1.2. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease Agreement:

EXHIBIT A: Description of the Land.

EXHIBIT B: Capital Equipment Schedule

EXHIBIT C-1: Schedule of Series 2023-A Bonds Aggregate Basic Lease Payments

Exhibit C-2: Schedule of Basic Lease Payments for Each Real Property

Exhibit C-3: Schedule of Basic Lease Payments for Capital Equipment

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Corporation as follows:

(a) ***Due Organization and Existence.*** The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State.

(b) ***Authorization.*** The Constitution and laws of the State and the Charter of the City empower the City to enter into this Lease Agreement, to enter into the transactions contemplated hereby and to carry out its obligations under this Lease Agreement, and the City has duly authorized, executed and delivered this Lease Agreement.

(c) ***No Violations.*** Neither the execution and delivery of this Lease Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Property, except Permitted Encumbrances.

(d) ***No Encumbrances.*** The City owns the Capital Equipment free and clear of any pledge, lien, charge, encumbrance or claim on or with respect to the Capital Equipment, other than the respective rights of the Trustee and the City as provided herein and in the Indenture and the Assignment Agreement and subject to Permitted Encumbrances.

(e) ***Operation and Maintenance.*** The City assumes full responsibility for the safety and any consequences of lack of safety with respect to the operation and maintenance of the Capital Equipment.

Section 2.2. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the City as follows:

(a) ***Due Organization and Existence.*** The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State and has full legal power to own, hold, improve and equip real and personal property, and to lease and sell the same. The Corporation has the power to enter into this Lease Agreement, to enter into the transactions contemplated hereby and to carry out its obligations under this Lease Agreement, and the Corporation, by proper actions of its board of directors, has duly authorized the execution and delivery of this Lease Agreement.

(b) ***No Encumbrances.*** The Corporation will not pledge the Basic Lease Payments or other amounts derived from the Property and from its other rights under this Lease Agreement, and will not, directly or indirectly, create, incur, assume or suffer to exist any

mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Trustee and the City as provided herein and in the Indenture and the Assignment Agreement and subject to Permitted Encumbrances. Except as expressly provided in this Lease Agreement, the Corporation shall promptly take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time.

(c) **No Violations.** Neither the execution and delivery of this Lease Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Property, except Permitted Encumbrances.

Section 2.3. Tax Covenants. The City and the Corporation hereby covenant and agree that neither the Corporation nor the City will take any action that would cause interest on the Series 2023-A Bonds to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes, nor will it omit to take or cause to be taken, in a timely manner, any action, which omission would cause interest on the Series 2023-A Bonds to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes.

ARTICLE III

AGREEMENT TO LEASE; TERMINATION OF THIS LEASE; LEASE PAYMENTS

Section 3.1. Lease.

(a) **Real Property.** The Corporation hereby subleases the Real Property to the City, and the City hereby subleases the Real Property from the Corporation, on the terms and conditions hereinafter set forth. The City hereby agrees and covenants during the Term of this Lease Agreement that, except as hereinafter expressly provided, it will use the Real Property solely for public and municipal purposes so as to afford the public the benefit contemplated by this Lease Agreement and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it shall not abandon the Real Property.

(b) **Capital Equipment.** The Corporation hereby subleases the Capital Equipment to the City, and the City hereby subleases the Capital Equipment from the Corporation, on the terms and conditions hereinafter set forth. The City hereby agrees and covenants during the Term of this Lease Agreement that, except as hereinafter expressly provided, it shall use the Capital Equipment solely for public and municipal purposes so as to afford the public the benefit contemplated by this Lease Agreement and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it shall not abandon the Capital Equipment.

Section 3.2. Term of Agreement.

(a) **Real Property.** With respect to the Real Property, the Term of this Lease Agreement shall commence on the Closing Date hereof, and shall end for the respective Real Property on the dates specified in Exhibit D hereto, unless such term is extended or sooner terminated as hereinafter provided. If on such dates, any amount remains due and owing with respect to the Bonds, or if the Basic Lease Payments and Additional Payments hereunder shall have been abated at any time and for any reason, then the term of this Lease Agreement with respect to the Real Property then-subject to this Lease Agreement shall be extended until ten (10) days after the Basic Lease Payments and Additional Payments and all other amounts then due hereunder with respect to such Real Property shall be fully paid, except that the term of this Lease Agreement as to the respective Real Property shall in no event be extended beyond ten (10) years after the date identified with respect thereto. If prior to such date specified in Exhibit D, all Basic Lease Payments and all Additional Payments and all other amounts then due hereunder, and all amounts due and owing with respect to the Bonds, shall be fully paid, or provision therefor made, the term of this Lease Agreement with respect to such Real Property shall end ten (10) days thereafter or upon written notice by the City to the Corporation, whichever is earlier; provided that with respect the Series 2023-A Bonds and any provision for payment being made whether by defeasance or otherwise, this Lease Agreement shall remain outstanding for federal tax purposes until the actual payment in full of all principal and interest on the Series 2023-A Bonds.

Upon the expiration of the term of this Lease Agreement with respect to a particular Real Property pursuant to the preceding paragraph, the respective Real Property shall be released from this Lease Agreement without compliance with the release requirements set forth in Section 4.12 below; provided that no Real Property shall be released from this Lease Agreement (i) if, after giving effect to the release of such Real Property, a Default or Event of Default would occur hereunder or under the Indenture, and (ii) unless the City has delivered a certificate to the Trustee stating that (a) no event giving rise to an abatement under Section 5.3 has occurred and is continuing on any of the Real Property then-subject to this Lease Agreement or (b) the total of all remaining Lease Payments in each Rental Period for all Property is at least equal to the total fair rental value of all Property in each such Rental Period.

(b) **Capital Equipment.** With respect to the Capital Equipment, the Term of this Lease Agreement shall commence on the Closing Date hereof, and shall end on May 1, 2033 unless such term is otherwise terminated or extended as hereinafter provided. If on May 1, 2033, the Bonds shall not be discharged by their terms, or if the Basic Lease Payments and Additional Payments hereunder shall have been abated at any time and for any reason, then the Term of this Lease Agreement, with respect to the Capital Equipment, shall be extended until the Indenture shall be discharged by its terms (but not later than May 1, 2043). If prior to May 1, 2033, the Indenture shall be discharged by its terms, the Term of this Lease Agreement shall thereupon end.

Section 3.3. Possession. The City agrees to accept possession and use of the Property as the owner of the subleasehold interest thereof on the Closing Date, and shall pay the first Basic Lease Payment with respect to the Property on April 15, 2024.

Section 3.4. Lease Payments, Basic Lease Payments.

(a) ***Obligation to Pay.*** Subject to the provisions of Articles V and IX hereof, the City agrees to pay to the Corporation, its successors and assignees, as rental for the use and occupancy of the Real Property and use and possession of the Capital Equipment during each Rental Period, the Basic Lease Payments for all of the Property in the respective amounts specified in *Exhibits C-2 and C-3*, to be due and payable on the respective Lease Payment Dates specified in *Exhibits C-2 and C-3*, plus the Additional Payments required under Section 3.7 hereof. Any amount held in the Series 2023-A Interest Account or the Series 2023-A Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Basic Lease Payments in part but not in whole pursuant to Article IX hereof and other amounts required for payment of past due principal of or interest on any Bonds not presented for payment or otherwise) shall be credited towards the Basic Lease Payment next due and payable; and no Basic Lease Payment need be made on any Lease Payment Date if the amounts then held in the Series 2023-A Interest Account and the Series 2023-A Principal Account and available for such purpose are at least equal to the Basic Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of such Property for such Rental Period. Notwithstanding any dispute between the Corporation and the City, the City shall make all Basic Lease Payments when due and shall not withhold any Basic Lease Payment pending final resolution of the dispute.

(b) ***Effect of Prepayment.*** If the City pays or provides for the payment of all remaining Lease Payments in full pursuant to Article IX, the City's obligations under this Lease Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Basic Lease Payments under this Section 3.4, subject however, to the provisions of Section 9.1 in the case of payment by application of a security deposit. If the City prepays the Lease Payments in part but not in whole pursuant to Section 9.2 as an optional prepayment or Section 9.3 as a result of any insurance, condemnation or eminent domain award with respect to the Property, such prepayment shall be credited entirely towards the prepayment of the Lease Payments allocable to such Property as follows: (i) Additional Payments due or to become due pursuant to Section 3.7 attributable to such Property shall be paid or provided for through the date of such deposit, (ii) the principal components of each remaining Basic Lease Payment shall be reduced on a pro rata basis in integral multiples of \$5,000; and (iii) the interest component of each remaining Basic Lease Payment attributable to such Property shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed pursuant to Section 2.03(a) or (b) of the Indenture. Notwithstanding the foregoing, prior to the termination of the City's obligations under this Lease Agreement, the Trustee must have received an opinion of Bond Counsel to the effect that the provision for such prepayment and release of this Lease Agreement pursuant to this Section shall not adversely affect the Owners of the Bonds that are issued on a tax-exempt basis for federal income tax purposes as provided by Section 10.01 of the Indenture.

(c) ***Overdue Payments.*** If the City should fail to make any of the Basic Lease Payments required in this Section 3.4, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid.

(d) ***Fair Rental Value.*** The Lease Payments for the Property for each Rental Period shall constitute the total rental for such Property for such Rental Period, and shall be paid by the City in each Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of, the Property during such Rental Period. The parties hereto have agreed and determined that the total of all Lease Payments for the Property is not greater than the total fair rental value of the Property. Further, the Lease Payments for the Property for each Rental Period do not exceed the fair rental value of the Property for such Rental Period. In making such determination, consideration has been given to the costs of acquisition and financing of the Capital Equipment, the appraised or market value of the Property, the insured value of the Property, the cost of improvements made or to be made to the Property, the current and future value of rent paid by tenants of the Real Property other than the City, other obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(e) ***Budget and Appropriation.*** The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. In so providing for the payment of Lease Payments in its annual budgets, the City may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make Lease Payments. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City. The obligations of the City to make Basic Lease Payments or Additional Payments do not constitute obligations for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Basic Lease Payments or Additional Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

(f) ***Assignment.*** The City understands and agrees that this Lease Agreement and the right to receive all Basic Lease Payments have been assigned by the Corporation to the Trustee in trust for the benefit of the Owners of the Bonds pursuant to the Assignment Agreement and the Indenture, and the City hereby consents to such assignment. The Corporation hereby directs the City, and the City hereby agrees, to pay to the Trustee at the Principal Corporate Trust Office of the Trustee all payments payable by the City pursuant to this Section 3.4 and all amounts payable by the City pursuant to Article IX.

Section 3.5. Quiet Enjoyment. During the Term of this Lease Agreement, the Corporation shall provide the City with quiet use and enjoyment of the Real Property and enjoyment of the Capital Equipment, and the City shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease Agreement. The Corporation shall, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in Section 6.2.

Section 3.6. Leasehold Interest. During the Term of this Lease Agreement, the Corporation shall hold a leasehold interest in the Real Property and a leasehold interest in the Capital Equipment. If the City prepays the Lease Payments for all of the Property in full pursuant to Article IX or makes the advance deposit permitted by Section 9.1, or pays all Lease Payments for all of the Property during the Term of this Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be transferred to and vested in the City and the Site and Equipment Lease and this Lease Agreement shall terminate with respect to such Property.

Section 3.7. Additional Payments. In addition to the Basic Lease Payments, the City shall pay as Additional Payments (i) all taxes, fees or assessments levied upon the Real Property or upon any interest therein of the Corporation or the Trustee, (ii) all taxes, fees or assessments levied upon it with respect to ownership, leasing, subleasing, rental, sale, purchase, possession or use of the Capital Equipment, (iii) insurance premiums, if any, on insurance required under this Lease Agreement, (iv) all fees and expenses of the Trustee, and expenses of the City required to comply with this Lease Agreement and the Indenture, (v) any other fees, costs, or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Lease Agreement or the Indenture, including any amounts necessary to indemnify and defend the Corporation, and (vi) any amounts required to be paid to the United States government pursuant to section 148 of the Code, if applicable.

Additional Payments due under this Section shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or within thirty (30) days after notice in writing from the Trustee to the City stating the amount of Additional Payments then due and payable and the purpose thereof.

ARTICLE IV

MAINTENANCE; TAXES; INSURANCE AND OTHER MATTERS

Section 4.1. Maintenance; Utilities, Taxes and Assessments. During the Term of this Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City. In exchange for the Lease Payments herein provided, the Corporation agrees to lease the Property to the City. The City shall, at its own expense, during the Term of this Lease Agreement maintain the Property, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Property which is lost, stolen or destroyed, as applicable; *provided* that the City shall not be required to repair or replace any such portion of the Property pursuant to this Section 4.1 if there shall be applied to the prepayment of Basic Lease Payments Net Proceeds or other available budgeted or appropriated funds sufficient to prepay (i) all of the Bonds Outstanding or (ii) any portion thereof relating to the Property or such portion thereof and the Basic Lease Payments allocable to the remaining portion of the Property shall be sufficient to pay principal of and interest on the Bonds Outstanding after such prepayment. The City shall provide or cause to be provided all mechanical, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Property, as applicable. It is understood and agreed that in consideration of the payment by the City of the rental herein provided for, the City is entitled to occupy and use the Real Property and use and possess the Capital Equipment, and no other party

shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Property during the Term of this Lease Agreement. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Property. The City hereby expressly waives the right to make repairs or to perform maintenance of the Property at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The City shall pay for the furnishing of all utilities which may be used in or upon the Real Property during the Term of this Lease Agreement. Such payment shall be made by the City directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the City may make.

The City shall also pay or cause to be paid all taxes, charges, fees and assessments of any type or nature, if any, charged to the Corporation or the City affecting the Property or their respective interests therein; *provided* that with respect to special assessments, fees or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof shall be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

Section 4.2. Modification of Real Property. The City shall, at its own expense, have the right to make additions, modifications and improvements to the Real Property. All such additions, modifications and improvements, including those which comprise fixtures, repairs, replacements, additions or modifications to the Real Property shall thereafter comprise part of the Real Property and be subject to the provisions of this Lease Agreement, except for (i) those fixtures, repairs, replacements or modifications which are added to the Real Property by the City at its own expense and which may be removed without damaging the Real Property, and (ii) any items added to the Real Property by the City pursuant to Section 4.10 hereof. The City shall have the right to conduct a survey of any parcel of land constituting a portion of the Real Property and to alter or change the boundaries of said parcel as a result of said survey so long as such change or alteration does not interfere with the improvements constructed on said parcel and so long as, after giving effect to such change or alteration, the Property does not have a fair rental value in each Rental Period less than the Basic Lease Payments in each such Rental Period. Additions, modifications and improvements shall not cause the Real Property to be used for purposes other than those authorized under the provisions of State and federal law; and such Real Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section, shall have a fair rental value which is approximately equal to or greater than the fair rental value of the Real Property immediately prior to the making of such additions, modifications and

improvements. The City shall not permit any mechanic's lien or other lien to be established or remain against the Real Property for labor or materials furnished in connection with any repair or replacements made by the City pursuant to this Section; *provided* that if any such lien is established and the City shall first notify the Corporation (or cause the Corporation to be notified) of the City's intention to do so, the City may in good faith contest any lien filed or established against the Real Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation shall cooperate fully in any such contest, upon the request and at the expense of the City.

Section 4.3. Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, commencing upon its possession of the Property pursuant to this Lease Agreement and thereafter throughout the Term of this Lease Agreement, a program of general liability insurance protecting the Corporation, the City, and their respective officers, directors, agents, assignees and employees. Such program shall provide for indemnification of said parties against loss or liability for damages for bodily and personal injury, death or property damage occasioned by use of the Property. Such insurance may be satisfied by a risk retention program.

Section 4.4. Fire and Extended Coverage Insurance for Real Property. The City shall procure and maintain, or cause to be procured and maintained, commencing upon its possession of the Real Property pursuant to this Lease Agreement, and thereafter throughout the Term of this Lease Agreement, insurance against loss or damage to any structures or equipment constituting any part of the Real Property [by fire and lightning], with extended coverage and vandalism and malicious mischief insurance, which coverage may exclude earthquake insurance.

In the event of any uninsured loss to the Real Property resulting from earthquake, (a) the City shall apply for and use its best efforts to obtain financial assistance from the United States of America to be used for the repair, reconstruction or replacement of such Real Property, and (b) the City shall repair or replace the Real Property or defease the outstanding Bonds from moneys, if any, legally available therefor.

Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of the Outstanding principal amount of the Bonds or 100% of the replacement cost of the Real Property (including all improvements thereon) (it being understood and agreed that in the event of the loss of all or a portion of such Real Property and the redemption of all or a portion of the Bonds from the Net Proceeds of such insurance, that the remaining Real Property shall have a fair rental value equal to or exceeding the remaining Lease Payments). Such insurance may be subject to commercially reasonable deductible clauses. Such insurance may be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City shall include in its annual budget an item to provide funds for commercial insurance covering physical property damage to the Real Property.

Without limiting the specific purposes of the budgeted item mentioned above, the City covenants that it shall use such budgeted funds, other available budgeted or appropriated funds, and the proceeds of any purchased insurance to accomplish one of the following purposes in the event of the loss or destruction of or unrepaired damage to any portion of the Real Property which would otherwise result in abatement of all or a portion of the Basic Lease Payments:

(i) to repair diligently the affected Real Property or acquire or construct replacement Real Property (in each case, at the City's cost) having a useful life not less than the remaining Term of the Real Property so lost, destroyed or damaged to be and become subject to this Lease Agreement at a cost such that the fair rental value of all Property leased pursuant to this Lease Agreement (including such replacement Real Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement;

(ii) to deposit with the Trustee, as assignee of the Corporation, in a special account to be held in trust by the Trustee, an amount (not less than \$50,000) sufficient, under Section 9.3 of this Lease Agreement, to purchase the portion of the Real Property so destroyed or irreparably damaged, and to instruct the Trustee at the time of said deposit that said amount is to be used as a special fund for prepayment of Basic Lease Payments pertaining to the Real Property destroyed or irreparably damaged; or

(iii) to apply such funds in accordance with Section 5.2 of this Lease Agreement and Section 6.07 and 2.03(a) of the Indenture to redeem Bonds so that the Basic Lease Payments to be made on the remaining Property will be sufficient to pay principal of and interest on the Bonds that remain Outstanding and will not exceed the fair rental value for each Rental Period over the remaining Term of this Lease Agreement.

To the extent that an event of loss, destruction or unrepaired damage should result in an abatement of Basic Lease Payments pending the acquisition of replacement Real Property pursuant to Section 4.4(i) above, the City may substitute replacement Property for the Real Property so lost, destroyed or damaged to be and become subject to this Lease Agreement, such replacement Property having a fair rental value such that the fair rental value of the Property leased pursuant to this Lease Agreement (including such replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement. The City may also make such a substitution of Property as an alternative to taking the actions described in Section 4.4(i) and (ii) herein.

Section 4.5. Collision and Extended Coverage Insurance. The City shall procure and maintain, cause to be procured and maintained or include within its risk retention program, commencing upon its possession of the Capital Equipment pursuant to this Lease Agreement, and thereafter throughout the Term of this Lease Agreement for the Capital Equipment, insurance against loss or damage to any part of the Capital Equipment by collision, fire, loss and theft, with extended coverage and vandalism and malicious mischief insurance.

Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by such hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of the Outstanding principal amount of the Bonds and 100% of the replacement

cost of the Capital Equipment (including all modifications thereon) (it being understood and agreed that in the event of the loss of all or a portion of such Capital Equipment and the redemption of all or a portion of Bonds from the Net Proceeds of such insurance, that the remaining Capital Equipment together with any Real Property shall have a fair rental value equal to or exceeding the remaining Lease Payments). Such insurance, if commercially obtained, may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City shall include in its annual budget an item to provide funds for commercial insurance covering physical property damage to the Capital Equipment, if commercial insurance is obtained.

The City covenants that it shall use such budgeted funds, other available budgeted or appropriated funds and the proceeds of any purchased insurance to accomplish one of the following purposes in the event of the loss or destruction of or unrepaired damage to any portion of the Capital Equipment which would otherwise result in abatement of all or a portion of the Basic Lease Payments:

(i) to repair diligently the affected Capital Equipment or acquire replacement Capital Equipment (in each case, at the City's cost) having a useful life not less than the remaining Term of the Capital Equipment so lost, destroyed or damaged to be and become subject to this Lease Agreement at a cost such that the fair rental value of the Property leased pursuant to this Lease Agreement (including any replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement;

(ii) to deposit with the Trustee, as assignee of the Corporation, in a special account to be held in trust by the Trustee, an amount (not less than \$50,000) sufficient, under Section 9.3 of this Lease Agreement, to purchase the portion of the Capital Equipment so destroyed or irreparably damaged, and to instruct the Trustee at the time of said deposit that said amount is to be used as a special fund for prepayment of Basic Lease Payments pertaining to the Capital Equipment destroyed or irreparably damaged; or

(iii) to apply such funds in accordance with Section 5.2 of this Lease Agreement and Section 6.07 and 2.03(a) of the Indenture to redeem Bonds so that the Basic Lease Payments to be made on the remaining Property shall be sufficient to pay principal of and interest on the Bonds that remain Outstanding and will not exceed the fair rental value for each Rental Period over the remaining Term of this Lease Agreement.

To the extent that an event of loss, destruction or unrepaired damage should result in an abatement of Basic Lease Payments pending the acquisition of replacement Capital Equipment pursuant to Section 4.5(i) above, the City may substitute replacement Property for the Capital Equipment so lost, destroyed or damaged to be and become subject to this Lease Agreement, such replacement Property having a fair rental value such that the fair rental value of the Property leased pursuant to this Lease Agreement (including such replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this

Lease Agreement. The City may also make such a substitution of Property as an alternative to taking the actions described in Section 4.5(i) and (ii) herein.

Section 4.6. Rental Interruption Insurance. The City shall procure and maintain, commencing upon its possession of the Property pursuant to this Lease Agreement, and throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property for a period of 24 months during the Term of this Lease Agreement as a result of any of the hazards covered in the insurance required by Section 4.4 hereof, in an amount to insure against loss of substantial use and possession of the Property. The provider of such insurance shall be rated at least “A” by A.M. Best & Company. The Trustee shall be the beneficiary under such policy and any amounts received thereunder shall be credited towards the Lease Payments in the order in which such Lease Payments come due and payable.

Section 4.7. Title Insurance. The City shall obtain, at its own expense, on or before commencement of the Term of this Lease Agreement, a California Land Title Association (“CLTA”) title insurance policy, or policies, in the amount equal to the aggregate principal component of the Basic Lease Payments attributable to the Real Property, insuring the Corporation’s leasehold estate in the Real Property, subject only to Permitted Encumbrances. All Net Proceeds received under the policy, or policies, shall be deposited with the Trustee and shall be credited towards the prepayment of the remaining Lease Payments pursuant to Section 9.3 hereof.

Section 4.8. Insurance Net Proceeds; Form of Policies; Certificates of Effectiveness. Each policy of insurance required by Article IV hereof shall name the Trustee as a loss payee as its interests may appear and shall provide that all proceeds thereunder shall be payable to the Trustee and applied as provided in Section 5.2. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee on or before September 1 annually a certificate of a City Representative stating that such payments have been made and that the insurance policies required by this Lease Agreement are in force and effect. All such policies shall provide that the Trustee shall be given thirty (30) days’ notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

Section 4.9. Advances. If the City shall fail to perform any of its obligations under this Article, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as Additional Payments as soon as possible (or, if less, at the maximum rate permitted by law) from the date of the advance to the date of repayment.

Section 4.10. Installation of City’s Personal Property. The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the City, in which neither the Corporation nor the Trustee shall have any interest, and such items may be modified or removed by the City. Nothing in this Lease

Agreement shall prevent the City from purchasing or leasing items to be installed pursuant to this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, *provided* that no such lien or security interest shall attach to any part of the Property.

Section 4.11. Liens. The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Corporation and the City as herein provided, and Permitted Encumbrances. Except as expressly provided in this Article, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 4.12. Addition, Substitution, Release of Property. The City shall, at any time, have the right to add, substitute or release all or a portion of the Property currently constituting the Property (in such case the substitute Property shall mean the former Property less any portion released pursuant to this Section) for other property of an annual fair rental value such that the aggregate annual fair rental value of the Property after such substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period, of a comparable (or superior) essential nature to the City, but only by providing the Trustee with (a) a written certificate describing both the new Property and the Property for which it is to be substituted, and stating that such portion of Property is of an annual fair rental value such that the aggregate annual fair rental value of all of the Property after giving effect to such substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period, and is of a comparable (or superior) essential nature to the City, and (b) an executed amendment to this Lease Agreement and, if the amendment itself is not to be recorded in the county registry, an executed and acknowledged memorandum of lease for the new Property, if such new Property is Real Property. All costs and expenses incurred in connection with such substitution or release including without limitation the cost of acquiring such Property, shall be borne by the City. In the event of such substitution, the Property substituted for the original Property shall become fully subject to the terms hereof, and the City shall obtain, in the case of new Property that is Real Property, a policy of CLTA title insurance insuring the Corporation's leasehold estate in the new Real Property so that the combined policies of CLTA title insurance on all of the leasehold estate(s) in the Property subject to this Lease Agreement will be not less than the aggregate principal amount of Outstanding Bonds. Notwithstanding any substitution or release of Property pursuant to this Section, there shall be no reduction in the Basic Lease Payments due from the City hereunder and no such substitution or release of Property shall occur if the Property being leased under this Lease Agreement after giving effect to such substitution or release would have a fair rental value in any Rental Period of less than the Lease Payments in each such Rental Period.

Section 4.13. Hazardous Waste. The City shall not cause or permit the Real Property or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable federal, State and local laws or regulations, nor shall the City cause or permit, as a result of any intentional or unintentional act or omission on the part of the City or any tenant or subtenant, a release of Hazardous Materials onto the Real Property. The City shall comply with and ensure compliance

by all tenants and subtenants with all applicable federal, State and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The City shall (i) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Real Property (A) in accordance with all applicable federal, State and local laws, ordinances, rules, regulations, and policies, (B) to the satisfaction of the Trustee, and (C) in accordance with the orders and directives of all federal, State and local governmental authorities, and (ii) defend, indemnify, and hold harmless the Trustee from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (A) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise, (B) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, and/or (C) any violation of laws, orders, regulations, requirements or demands of government authorities, or any policies or requirements of the mortgage trustee, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event that the Trustee elects to control, operate, sell or otherwise claim property rights in the Real Property, the City shall deliver the Real Property free of any and all Hazardous Materials so that the conditions of the Real Property shall conform with all applicable federal, State and local laws, ordinances, rules or regulations affecting the Real Property. Prior to any such delivery of the Real Property, the City shall pay the Trustee, from its own funds, any amounts then required to be paid under subsection (ii) above. For purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 9601 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, State or local environmental law, ordinance, rule, or regulation.

Section 4.14. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate in accordance with its terms. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder. However, the Trustee, upon payment of its fees and expenses, including counsel fees and expenses, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section 4.14.

ARTICLE V

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 5.1. Damage; Eminent Domain. The City covenants that if the Property is damaged in a manner which substantially interferes with its use, such Property shall be promptly repaired or replaced at the City's expense, unless (a) such damage, together with other components of the Property lost, damaged or destroyed, would not result in the abatement of any portion of the Lease Payments because, for example, the fair rental value of the remaining useable Property is sufficient to support the Lease Payments unabated, or (b) the City elects to apply the Net Proceeds of insurance and any other legally available funds to the redemption of Bonds pursuant to Sections 6.07 and 2.03(a) of the Indenture such that the Basic Lease Payments for the undamaged Property will be sufficient to pay principal of and interest on the Bonds that remain Outstanding. If all of the Property shall be taken permanently under the power of condemnation or eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) this Lease Agreement shall continue in force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (ii) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any condemnation or eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the City and the Corporation such that the resulting Lease Payments do not exceed fair rental value for the use and occupancy or possession of the remaining usable portion of the Property.

Section 5.2. Application of Net Proceeds.

(a) **From Insurance Proceeds.** The Net Proceeds of any insurance award resulting from any loss of, damage to or destruction of the Property by fire or other casualty shall be deposited in the Insurance Proceeds and Condemnation Awards Fund held by the Trustee promptly upon receipt thereof and applied as set forth in Section 6.07 of the Indenture.

(b) **From Eminent Domain Award.** The Net Proceeds of any condemnation or eminent domain award resulting from any event described in Section 5.1 hereof shall be deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as set forth in Section 6.07 of the Indenture.

Section 5.3. Abatement of Rent. Lease Payments shall be abated during any period in which by reason of loss, damage, destruction, title defect or otherwise (other than by condemnation or eminent domain which is provided for above) there is substantial interference with the use and possession or occupancy by the City of the Property, so that the remaining Lease Payments then due for use of the Property that was not affected are not greater than the fair rental value for use of the unaffected Property. The City and the Corporation shall calculate the rental abatement amount on an annual basis taking into account the entire twelve-month period commencing May 2 within which the damage or destruction occurs. If at any time it shall be necessary to calculate rental abatement, for purposes of calculation for any twelve-month period commencing May 2 and ending on the immediately following May 1, the total amount of Lease Payment payable within

such twelve-month period shall be divided by 365 days (except for leap years, in which case the divisor shall be 366 days). The maximum amount of daily rental abatement for such twelve-month period shall not exceed the result of such calculation. Such abatement shall continue for the period commencing with such interruption of use and ending with the substantial completion of the work of repair or reconstruction or replacement. In the event of any such interruption of use, this Lease Agreement shall continue in full force and effect and the Lease Payments shall not be subject to abatement under this Section 5.3 to the extent that the proceeds of rental interruption insurance pursuant to Section 4.6 or amounts otherwise in the Bond Fund are available to pay Lease Payments which would otherwise be abated under this Section 5.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Capital Equipment is delivered as is and the Corporation and its assignees make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Property, or any other representation or warranty with respect to the Property. In no event shall the Corporation or its assignees be liable for any actual, incidental, indirect, special or consequential or other damages, in connection with or arising out of the Lease Agreement or the existence, furnishing, functioning or the City's use of the Property.

Section 6.2. Access to the Property. The City agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assignees, shall have the right at all reasonable times to inspect the Property. The City further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assignees, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations hereunder; *provided, however*, that neither the Corporation nor the Corporation's assignees shall have any obligation to cause such proper maintenance.

Section 6.3. Contractor's Warranties. The Corporation hereby assigns to the City for and during the Lease Agreement Term all of its interest in all manufacturer's or vendor's warranties and guarantees, express or implied, issued on or applicable to the Capital Equipment, if any, and the Corporation hereby authorizes the City to obtain the customary services furnished in connection with such warranties and guarantees at the City's expense. The City expressly acknowledges that the Corporation does not make, and has not made, any representation or warranty whatsoever as to the existence or availability of such contractor warranties or guarantees.

Section 6.4. Selection of Capital Equipment. The Capital Equipment has been selected by the City, and the Corporation has not had any responsibility and shall have no responsibility in connection with the selection of the Capital Equipment or its suitability for the use intended by the City.

Section 6.5. Installation and Maintenance of Capital Equipment. The Corporation shall have no obligation to install, erect, test, inspect, service or maintain the Capital Equipment under any instances, but such actions shall be the obligation of the City.

Section 6.6. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Corporation and the Trustee, and their respective officers, agents, directors, employees and their successors and assignees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Real Property by the City including without limitation, as a result of the use, presence, storage, disposal or release of any hazardous waste on or about the Real Property, (ii) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement, (iii) any act of negligence of the City or of any of its agents, contractors, employees or licensees with respect to the Property, (iv) any act or negligence of any sublessee of the City with respect to the Property, (v) the acquisition of the Property or (vi) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party. No indemnification is made under this Section or elsewhere in this Lease Agreement for willful misconduct, negligence, or breach of duty under this Lease Agreement by the Corporation or the Trustee or their respective officers, agents, directors, employees, successors or assignees.

ARTICLE VII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 7.1. Assignment by the Corporation. The Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease Agreement have been pledged and assigned to the Trustee pursuant to the Assignment Agreement and the Indenture, to which pledge and assignment the City hereby consents.

Section 7.2. Assignment and Subleasing by the City. This Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, subject to all of the following conditions:

(i) This Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;

(ii) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;

(iii) No such sublease by the City or any further sublease or use of such Property shall cause the Property to be used for any unlawful purpose;

(iv) The City shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, stating that such sublease and any use related to such sublease

does not cause a change in the tax status of the Series 2023-A Bonds and that such sublease complies with the requirements of this Section 7.2;

(v) Each sublease and all further subleases shall be subject to termination upon default by the City hereunder and shall not diminish the rights and remedies of the Trustee to the Property thereon in such event of a default;

(vi) Each sublease and subsequent sublease shall contain such provisions for the maintenance of insurance on any improvements constructed on the subleased Property and such provisions for the allocation of proceeds from such insurance and the allocation of proceeds from eminent domain or condemnation proceedings as shall be satisfactory in the opinion of Independent Counsel to maintain the rights of the Trustee to such proceeds;

(vii) Each sublease and subsequent sublease shall contain provisions securing the timely payment of all taxes, fees, charges and assessments arising from or related to the subleased Property, and securing such Property from the establishment and maintenance of any mechanics or other liens for labor or materials furnished in connection with such improvements;

(viii) Improvements existing on any subleased Real Property at the time of the sublease may be modified by a sublessee only in accordance with the provisions of Section 4.2 hereof; and

(ix) Prior to any sublease of the portion of the Property, the City shall furnish the Trustee such opinions of counsel and certificates as the Trustee may reasonably require to evidence the satisfaction of the above conditions precedent to any sublease.

Section 7.3. Amendment of this Lease Agreement. Except as set forth below, the City and the Corporation shall not alter, modify or cancel, or agree or consent to alter, modify or cancel this Lease Agreement excepting only such alteration or modification as may be permitted by Article III of the Indenture.

This Lease Agreement may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the City or the Corporation, other agreements, conditions, covenants and terms hereafter to be observed or performed by the City or the Corporation, or to surrender any right reserved herein to or conferred herein on the City or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the City or the Corporation may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Real Property to add or delete the property description of Property, or to provide for substitution, release or addition of Real Property pursuant to Section 4.12 of this Lease Agreement;

(d) to modify, add or delete the description of the Capital Equipment, or to provide for substitution, release or addition of Capital Equipment pursuant to Section 4.12 of this Lease Agreement;

(e) to make any modifications or changes to Exhibit C of this Lease Agreement to decrease Basic Lease Payments in connection with any prepayment under Article IX hereof;

(f) to make any modifications or changes to this Lease Agreement including any increase or decrease in Basic Lease Payments resulting therefrom in order to enable the execution and delivery of Additional Bonds on a parity with the Series 2023-A Bonds (unless otherwise provided in any Supplemental Indenture) in accordance with Article III of the Indenture and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Additional Bonds; or

(g) to make any other modification or change to the provisions of this Lease Agreement which does not materially adversely affect the interests of the Owners of the Bonds.

No change, modification or waiver of any provisions hereof will be valid unless in writing, signed by the parties to be bound.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Event of Default Defined. The following shall be “events of default” under this Lease Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Lease Agreement, with respect to the Property, any one or more of the following events:

(i) Failure by the City to pay any Basic Lease Payment or other payment required to be paid hereunder at the time specified herein, and the continuation of such failure for a period of ten (10) days.

(ii) Failure by the City to observe and perform any covenant, condition or agreement in this Lease Agreement or the Indenture on its part to be observed or performed, other than as referred to in clause (i) of this Section, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, or the Owners of not less than five percent in aggregate principal amount of Bonds then Outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from a City Representative to the effect that corrective action is being instituted by the City within the applicable period and is being diligently pursued to correct the default.

(iii) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Section 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1 hereof shall have occurred and be continuing, the Corporation may exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; *provided, however,* that notwithstanding anything herein or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition hereof and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Real Property and any improvements thereon and may exercise any and all rights of entry upon premises where the Capital Equipment may be held and repossess such Capital Equipment, and also, at its option, may terminate this Lease Agreement; *provided* that no acts of the parties hereto may terminate the City's obligation to make the Lease Payments except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry or repossession by the Corporation or termination of this Lease Agreement, the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in the event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) If the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry or re-possession by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of obtaining possession of the Property or exercise of any other remedy by the Corporation. The City hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to obtain possession and re-lease the Property in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Property and to place such property in storage or other suitable place in the County of Los Angeles, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The City hereby waives any and all claims for damages caused or which may be caused by the

Corporation in re-entering the Property or any premises where the Capital Equipment may be held and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry or re-possession without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its service in re-leasing the Property.

(b) In an event of default hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of this Lease Agreement by the Corporation at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be the absolute property of the Corporation and the City shall have no right thereto, nor shall the City be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Corporation from the Property. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Corporation shall of itself operate to terminate this Lease Agreement, and shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 8.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.5. Application of Proceeds. All net proceeds received from the re-lease or other disposition of the Property under this Article VIII, and all other amounts derived by the Corporation or the Trustee as a result of an event of default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and shall be deposited with the Trustee to be applied in accordance with Article IX of the Indenture.

Section 8.6. Trustee and Bond Owners to Exercise Rights. The Corporation has assigned certain rights and remedies under this Article VIII to the Trustee pursuant to the Assignment Agreement and Section 5.01 of the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture. To the extent that this Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

Section 9.1. Security Deposit. The obligations of the City to make Basic Lease Payments under this Lease Agreement in accordance with the Lease Payment Schedule set forth in *Exhibit C* hereto may be discharged and extinguished by the City's deposit with the Trustee of: (i) cash in an amount which, together with amounts on deposit in the Bond Fund and the Insurance Proceeds and Condemnation Awards Fund, is sufficient to pay all unpaid Basic Lease Payments for all of the Property, in accordance with the Lease Payment Schedule set forth in *Exhibits C-2 and C-3* and any Additional Payments to become due pursuant to Section 3.7 hereof, or the earlier prepayment in accordance with Section 9.2, if the conditions to the defeasance of the Bonds under Article X of the Indenture are satisfied, or (ii) Defeasance Securities together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Securities then on deposit in the Bond Fund and the Insurance Proceeds and Condemnation Awards Fund, be fully sufficient to pay all unpaid Basic Lease Payments for all of the Property (including any premium thereon) and any unpaid Additional Payments pursuant to Section 3.7 hereof on their respective Lease Payment Dates, or the earlier prepayment in accordance with Section 9.2, if the conditions to the defeasance of the Bonds under Article X of the Indenture are satisfied, as the City shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section, all obligations of the City for said Basic Lease Payments for all of the Property, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, Basic Lease Payments from the deposit made by the City pursuant to this Section and the obligation of the City to make any subsequent Additional Payments, and this Lease Agreement shall terminate with respect to all of the Property on the date of said deposit automatically and without further action by the City or the Corporation; *provided, however* that the City and the Corporation shall execute and file such documents as may be reasonably necessary or desirable to confirm such termination. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Basic Lease Payments in accordance with the provisions of this Lease Agreement. In the event said deposit shall be insufficient to pay any Additional Payments which become due pursuant to Section 3.7 hereof, the

City shall, immediately upon notification, increase such deposit in an amount sufficient to cover the deficiency. The Trustee shall not be liable for any insufficiency in such deposit.

Section 9.2. Optional Prepayment. The City may exercise its option to prepay the Basic Lease Payments due on or after April 1, 20__ for all or a portion of the Property on any date on or after May 1, 20__ by paying a prepayment price equal to (i) the aggregate principal amount of Bonds Outstanding with respect to all or a portion of the Property, (ii) the interest on such Bonds accrued to such date, (iii) prepayment penalty equal to the applicable redemption premium (if any) payable on the Bonds on such date pursuant to Section 2.03(b) of the Indenture and (iv) all Additional Payments to become due under Section 3.7 hereof. Such prepayment price shall be deposited with the Trustee to be applied to the redemption of Bonds pursuant to Section 2.03(b) of the Indenture. The City shall give the Trustee written notice of its intention to exercise its option not less than twenty (20) days in advance of the date of exercise.

Section 9.3. Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain Award. The City shall be obligated to prepay the Lease Payment allocable to any portion of the Property, in whole or in part, on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance award or a condemnation or eminent domain award with respect to such portion of the Property theretofore deposited with the Trustee for such purpose pursuant to Article V hereof and Sections 2.03(a) and 6.07 of the Indenture. The City and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments and not used to repair or replace the lost, damaged or taken Property, shall be credited towards the City's obligations under this Section 9.3.

Section 9.4. Credit for Amounts on Deposit. In the event of payment or prepayment, or provision for payment or prepayment, of the principal components of the Lease Payments in full for all of the Property under this Article IX, such that the Indenture shall be discharged by its terms as a result of such prepayment, all monies then on deposit in the Bond Fund and the Insurance Proceeds and Condemnation Awards Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

Office of the City Administrative Officer
City of Los Angeles
200 North Main Street
City Hall East Room 1500
Los Angeles, California 90012
Attention: MICLA Coordinator
Email: cao.debt@lacity.org

If to the Corporation: Municipal Improvement
 Corporation of Los Angeles
 c/o City Administrative Officer
 200 North Main Street
 City Hall East, Room 1500
 Los Angeles, California 90012
 Attention: Assistant Secretary and Assistant Treasurer

If to the Trustee: U.S. Bank Trust Company, National Association
 633 West Fifth Street, 24th Floor
 Los Angeles, CA 90071
 Attention: Global Corporate Trust

Each such notice, certificate or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, (d) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 10.2. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the City and their respective successors and assignees.

Section 10.3. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.4. Net-Net-Net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net" lease and the City hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever. The City's obligation to make Lease Payments in the amount and on the terms and conditions specified in this Lease Agreement shall be absolute and unconditional without any right of set-off or counterclaim.

Section 10.5. Further Assurances and Corrective Instruments. The Corporation and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement. In addition, the City and the Corporation shall, on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and recordings necessary or desirable in order to perfect, preserve and protect the interest of the Trustee in the Property to the extent possible under applicable law.

Section 10.6. 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 the Lease Agreement as a whole and not to any particular article, section, subdivision or clause hereof. The use herein of the words “including” and “includes,” and words of similar import, shall be deemed to be followed by the phrase “without limitation.”

Section 10.7. Governing Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.8. Execution in Counterparts. This Lease Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Corporation has caused this Lease Agreement to be executed in its corporate name by its duly authorized officer; and the City has caused this Lease Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES, as Lessor

By: _____
Ha To
Assistant Secretary and Assistant
Treasurer

CITY OF LOS ANGELES, as Lessee

By: _____
Benjamin Ceja
Assistant City Administrative Officer

APPROVED AS TO FORM:

HYDEE FELDSTEIN SOTO,
City Attorney

By: _____
Deputy City Attorney

- Signature Page to Lease Agreement -
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2023-A (Capital Equipment and Real Property)

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

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature (Seal)

CERTIFICATE OF ACCEPTANCE

In accordance with Section 27281 of the California Governmental Code, this is to certify that the interest in the Real Property conveyed under the Lease Agreement, dated as of _____ 1, 2023, by and between the Municipal Improvement Corporation of Los Angeles, a California nonprofit public benefit corporation, as sublessor, and the City of Los Angeles (the “City”), a charter city and municipal corporation duly organized and existing under its charter and the laws and Constitution of the State of California, as sublessee, is hereby accepted by the undersigned officer or agent on behalf of the City, pursuant to authority conferred by resolution of the City Council of the City adopted on [_____], 2023, and the City consents to recordation thereof by its duly authorized officer.

Dated as of [_____], 2023

CITY OF LOS ANGELES

By: _____
Name: Benjamin Ceja
Title: Assistant City Administrative Officer

EXHIBIT A

DESCRIPTION OF THE LAND

SITE 1

**NORTH CENTRAL DISTRICT YARD
(452 SAN FERNANDO RD, LOS ANGELES, CA 90031)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAN FERNANDO ROAD, (FORMERLY AVENUE 20) AS SAID ROAD WAS ESTABLISHED BY FINAL DECREE RENDERED OCTOBER 24, 1917 IN THE LOS ANGELES COUNTY SUPERIOR COURT CASE NO. 71131, DISTANT THEREON 20 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAN FERNANDO ROAD, 130 FEET; THENCE EASTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8, 160 FEET, MORE OR LESS, TO A POINT IN THE CENTER LINE OF THE SPUR TRACK OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS LOCATED NOVEMBER 7, 1917, AND BEING THE SOUTHWEST CORNER OF THE LAND CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, A CORPORATION, BY DEED DATED NOVEMBER 7, 1917, RECORDED IN BOOK 6601 PAGE 43 OF DEEDS; THENCE NORTHERLY ALONG SAID CENTER LINE BEING THE WESTERLY LINE OF THE LAND SO CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, A CORPORATION, TO A POINT 20 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8, MEASURED ALONG A LINE DRAWN PARALLEL WITH THE EASTERLY LINE OF SAID SAN FERNANDO VALLEY ROAD; THENCE WESTERLY PARALLEL WITH SAID NORTHERLY LINE OF SAID BLOCK 8 TO THE POINT OF BEGINNING.

PARCEL 2:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS

RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAN FERNANDO ROAD, FORMERLY AVENUE 20, AS ESTABLISHED WITH A WIDTH OF 80 FEET BY A DECREE ENTERED IN LOS ANGELES COUNTY SUPERIOR COURT CASE NO. 71131, SAID POINT LYING SOUTHERLY 500.40 FEET FROM THE NORTHERLY LINE OF SAID BLOCK 8 AND MEASURED ALONG SAID EASTERLY LINE; THENCE EASTERLY AT RIGHT ANGLES, A DISTANCE OF 60 FEET; THENCE SOUTHERLY AT RIGHT ANGLES TO THE NORTHWESTERLY LINE OF THE RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD CO.; THENCE SOUTHWESTERLY ALONG SAID NORTHWESTERLY RIGHT OF WAY LINE TO SAID EASTERLY LINE OF SAID SAN FERNANDO ROAD, SAID POINT BEING MARKED BY A SEMI-BURIED RAIL; THENCE NORTHERLY ALONG SAID EASTERLY LINE 29.34 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION, IF ANY, LYING EASTERLY OF THE EASTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO HAYWARD LUMBER AND INVESTMENT COMPANY, RECORDED JANUARY 4, 1922 AS INSTRUMENT NO. 706, IN BOOK 744 PAGE 230, OFFICIAL RECORDS OF SAID COUNTY.

PARCEL 3:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, FORMERLY AVENUE, 20 AS ESTABLISHED WITH A WIDTH OF 80 FEET BY FINAL DECREE ENTERED OCTOBER 24, 1917 IN CASE NO. 71131 OF THE SUPERIOR COURT OF SAID COUNTY, SAID POINT BEING DISTANT 200.00 FEET SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE FROM THE NORTHWESTERLY LINE OF SAID BLOCK 8; THENCE SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE, A DISTANCE OF 300.40 FEET TO THE NORTHWESTERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO FRANK ROSE AND WIFE, RECORDED ON MAY 21, 1956 AS INSTRUMENT NO. 916 IN BOOK 51232 PAGE 230, OFFICIAL RECORDS; THENCE ALONG THE BOUNDARY LINES OF THE LAND DESCRIBED IN THE LAST RECITED DEED, NORTHEASTERLY AT RIGHT ANGLES FROM SAID NORTHEASTERLY LINE OF SAN FERNANDO ROAD, A DISTANCE OF 60.00 FEET AND SOUTHEASTERLY AT RIGHT ANGLES FROM SAID LAST RECITED COURSE, TO THE NORTHWESTERLY LINE OF THE RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY; THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY LINE TO THE CENTER LINE OF THE SPUR TRACK OF SAID RAILROAD COMPANY AS THE SAME WAS LOCATED ON NOVEMBER 7, 1917; THENCE IN A GENERAL NORTHERLY

DIRECTION, FOLLOWING SAID CENTER LINE, TO THE SOUTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO THE EASTSIDE ROCK AND GRAVEL COMPANY, RECORDED IN BOOK 6601 PAGE 43 OF DEEDS, RECORDS OF SAID COUNTY, SAID POINT BEING ALSO THE MOST EASTERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO HOME SERVICE CORPORATION, RECORDED ON APRIL 20, 1954 AS INSTRUMENT NO. 1056 IN BOOK 44369 PAGE 182, OFFICIAL RECORDS; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LAST RECITED LAND TO A POINT DISTANT 145 FEET NORTHEASTERLY, MEASURED AT RIGHT ANGLES FROM SAID NORTHEASTERLY LINE OF SAN FERNANDO ROAD, SAID POINT BEING ALSO THE MOST NORTHERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO JESSIE O. WAKELIN, RECORDED ON JANUARY 5, 1921 IN BOOK 42 PAGE 6 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE SOUTHEASTERLY ALONG THE NORTHEASTERLY LINE OF SAID LAND OF WAKELIN, A DISTANCE OF 50.00 FEET TO THE MOST EASTERLY CORNER OF SAID LAND; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LAND OF WAKELIN, A DISTANCE OF 145.00 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

THE WESTERLY 145 FEET OF THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAN FERNANDO ROAD (FORMERLY AVENUE 20) AS SAID ROAD WAS ESTABLISHED BY FINAL DECREE RENDERED OCTOBER 24, 1917, IN THE SUPERIOR COURT OF SAID COUNTY, IN ACTION NO. 71131, A DISTANCE THEREON OF 150 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8; THENCE SOUTH ALONG SAID EASTERLY LINE OF SAN FERNANDO ROAD, 50 FEET; THENCE EASTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8 TO THE CENTER LINE OF THE SPUR TRACK OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS LOCATED NOVEMBER 7, 1917; THENCE NORTHERLY ALONG SAID CENTER LINE TO THE SOUTHWEST CORNER OF THE LAND CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, BY DEED RECORDED IN BOOK 6601 PAGE 43 OF DEEDS; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8 TO THE POINT OF BEGINNING.

PARCEL 5:

A PARCEL OF LAND, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF LOT 2 OF TRACT NO. 2358, AS PER MAP RECORDED IN BOOK 23 PAGES 118 AND 119 OF MAPS, RECORDS OF LOS ANGELES COUNTY, SAID POINT OF BEGINNING BEING IN THE SOUTHWESTERLY LINE OF AVENUE TWENTY-SIX; THENCE SOUTH 37 DEGREES 34 MINUTES 30 SECONDS EAST ALONG SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-SIX TO A POINT DISTANT ON SAID SOUTHWESTERLY LINE NORTH 37 DEGREES 34 MINUTES 30 SECONDS WEST 772.13 FEET FROM THE NORTHWESTERLY LINE OF HUMBOLDT STREET (60 FEET IN WIDTH) SAID LAST MENTIONED POINT BEING IN THE NORTHWESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN DEED RECORDED IN BOOK 10078 PAGE 291 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTH 50 DEGREES 02 MINUTES 30 SECONDS WEST ALONG SAID NORTHWESTERLY LINE 99.75 FEET TO THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG THE NORTHWESTERLY LINE OF SAID LAND DESCRIBED IN SAID DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, THE SAME BEING A CURVE, CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 1885.08 FEET, AN ARC DISTANCE OF 24.41 FEET; THENCE SOUTH 57 DEGREES 22 MINUTES 45 SECONDS WEST AND CONTINUING ALONG SAID NORTHWESTERLY LINE OF SAID LAND DESCRIBED IN SAID DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, A DISTANCE OF 182.60 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-THREE; THENCE SOUTH 61 DEGREES 57 MINUTES 15 SECONDS WEST AT RIGHT ANGLES TO SAID NORTHEASTERLY LINE OF AVENUE TWENTY-THREE, A DISTANCE OF 30 FEET TO THE CENTER LINE OF SAID AVENUE TWENTY-THREE; THENCE SOUTH 28 DEGREES 02 MINUTES 45 SECONDS EAST ALONG SAID CENTER LINE, A DISTANCE OF 40.07 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 57 MINUTES 15 SECONDS EAST FROM THE POINT OF INTERSECTION OF THE SOUTHWESTERLY LINE OF AVENUE TWENTY-THREE WITH THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 10147 PAGE 86 OF OFFICIAL RECORDS, OF SAID COUNTY; SAID LAST MENTIONED POINT BEING DISTANT ALONG SAID LAST MENTIONED SOUTHWESTERLY LINE NORTH 28 DEGREES 02 MINUTES 45 SECONDS WEST 774.08 FEET FROM THE NORTHWESTERLY LINE OF HUMBOLDT STREET (30 FEET IN WIDTH); THENCE SOUTH 61 DEGREES 57 MINUTES 15 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-THREE; THENCE SOUTH 50 DEGREES 02 MINUTES 30 SECONDS WEST ALONG SAID LAST MENTIONED NORTHWESTERLY LINE, A DISTANCE OF 336.86 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-TWO (60 FEET IN WIDTH) DISTANT THEREON NORTH 28 DEGREES 02 MINUTES 25 SECONDS WEST 764.87 FEET FROM SAID LAST MENTIONED NORTHWESTERLY LINE OF SAID HUMBOLDT STREET; THENCE SOUTH 61 DEGREES 57 MINUTES 35 SECONDS WEST, A DISTANCE OF 30 FEET TO A POINT IN THE CENTER LINE OF SAID AVENUE TWENTY-TWO; THENCE SOUTH 28 DEGREES 02 MINUTES 25 SECONDS EAST ALONG SAID LAST MENTIONED CENTER LINE, 2.75 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 57 MINUTES 35 SECONDS EAST FROM THE POINT OF INTERSECTION OF THE SOUTHWESTERLY LINE OF AVENUE TWENTY-TWO WITH THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 138 PAGE 630 OF

DEEDS, RECORDS OF SAID COUNTY, SAID LAST MENTIONED POINT BEING DISTANT ALONG SAID LAST MENTIONED SOUTHWESTERLY LINE NORTH 28 DEGREES 02 MINUTES 25 SECONDS WEST 773.1 FEET FROM SAID LAST MENTIONED NORTHWESTERLY LINE OF HUMBOLDT STREET; THENCE SOUTH 61 DEGREES 57 MINUTES 35 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-TWO; THENCE SOUTH 40 DEGREES 22 MINUTES 45 SECONDS WEST ALONG SAID NORTHWESTERLY LINE, A DISTANCE OF 82.51 FEET TO THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 10078 PAGE 291, OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG SAID LAST MENTIONED NORTHWESTERLY LINE, THE SAME BEING A CURVE CONCAVE TO THE SOUTHEAST AND HAVING A RADIUS OF 2335 FEET, AN ARC DISTANCE OF 263.95 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-ONE (60 FEET IN WIDTH); THENCE SOUTH 61 DEGREES 31 MINUTES 55 SECONDS WEST AT RIGHT ANGLES OF SAID NORTHEASTERLY LINE OF AVENUE TWENTY-ONE, A DISTANCE OF 30 FEET TO A POINT IN THE CENTER LINE OF SAID AVENUE TWENTY-ONE; THENCE SOUTH 28 DEGREES 28 MINUTES 05 SECONDS EAST ALONG SAID LAST MENTIONED CENTER LINE, A DISTANCE OF 5.02 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 31 MINUTES 55 SECONDS EAST FROM A POINT IN THE SOUTHWESTERLY LINE OF AVENUE TWENTY-ONE, DISTANT THEREON NORTH 28 DEGREES 28 MINUTES 05 SECONDS WEST 45.20 FEET FROM THE MOST EASTERLY CORNER OF BLOCK 8 ADDITIONAL SUBDIVISION IN THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 MISCELLANEOUS RECORDS, OF SAID COUNTY; THENCE SOUTH 61 DEGREES 31 MINUTES 55 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID LAST MENTIONED SOUTHWESTERLY LINE; THENCE ALONG THE SAID SOUTHWESTERLY LINE SOUTH 28 DEGREES 28 MINUTES 05 SECONDS EAST TO A LINE PARALLEL WITH AND 22.50 FEET NORTHWESTERLY MEASURED AT RIGHT ANGLES FROM THE SOUTHWESTERLY LINE OF THE LAND DESCRIBED IN THE DEED RECORDED IN BOOK 1312 PAGE 124 OF OFFICIAL RECORDS; THENCE SOUTHWESTERLY ALONG THE SAID PARALLEL LINE TO THE WESTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO THE SAID CITY OF LOS ANGELES, RECORDED AUGUST 1, 1922 AS INSTRUMENT NO. 1014 IN BOOK 1312 PAGE 124 OF OFFICIAL RECORDS; THENCE NORTHERLY ALONG THE CURVED WESTERLY LINE OF SAID LAND, BEING A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 256.29 FEET TO THE TANGENT COURSE IN THE SAID WESTERLY LINE; THENCE ALONG THE SAID TANGENT COURSE AND ITS PROLONGATION, NORTH 34 DEGREES 04 MINUTES WEST TO A LINE PARALLEL WITH AND 30 FEET NORTHWESTERLY MEASURED AT RIGHT ANGLES FROM THE NORTHWESTERLY LINE OF BLOCK 8, ADDITIONAL SUBDIVISION IN THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG THE SAID LAST MENTIONED PARALLEL LINE TO THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, 80 FEET WIDE, FORMERLY AVENUE 20; THENCE NORTHWESTERLY ALONG THE SAID NORTHEASTERLY LINE TO THE NORTHWEST LINE OF SAID LOT 31 1/2; THENCE NORTHEASTERLY ALONG THE LAST MENTIONED NORTHWESTERLY LINE, TO AND ALONG THE NORTHWESTERLY LINE OF SAID LOT 2, TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF LYING WITHIN THE LINES OF AVENUE TWENTY-ONE, 60 FEET WIDE, (FORMERLY CHESTNUT STREET), AS SHOWN ON THE MAP OF THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION INCLUDED WITHIN LACY STREET, 50 FEET WIDE, ALL OR PORTIONS OF WHICH ARE DESCRIBED IN ORDINANCE NO. 110,003 OF THE CITY OF LOS ANGELES ADOPTED AUGUST 27, 1957.

ALSO EXCEPT THEREFROM THOSE PORTIONS LYING NORTHEASTERLY AND EASTERLY OF THE SOUTHWESTERLY AND WESTERLY BOUNDARY LINES OF THE LAND DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED APRIL 27, 1960 AS INSTRUMENT NO. 3263, OF OFFICIAL RECORDS.

APN: 5447-003-901

SITE 2

**FIRE STATION NO. 10
(1335 S. OLIVE ST., LOS ANGELES, CA 90015)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 14 AND 16 IN BLOCK "F" OF MORRIS VINEYARD SUBDIVISION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 38 AND 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

EXCEPT THEREFROM THE SOUTHEASTERLY 20 FEET AS CONDEMNED FOR THE WIDENING OF OLIVE STREET.

PARCEL 2:

LOT 18 IN BLOCK "F" OF MORRIS VINEYARD SUBDIVISION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 38 AND 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

APN: 5134-025-900

SITE 3

**FIRE STATION NO. 41
(1439 N. GARDNER ST., LOS ANGELES, CA 90046)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

NORTHERLY 50 FEET OF LOT 320 OF TRACT NO. 461 IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 18 PAGE 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS IN, UNDER AND RECOVERABLE FROM THE ABOVE DESCRIBED REAL PROPERTY BUT WITHOUT THE RIGHT TO ENTER DRILL OR PENETRATE IN OR UPON THE SURFACE THEREOF FOR THE PURPOSES OF REMOVING SAID CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS AS RESERVED IN DOCUMENT RECORDED APRIL 12, 1984 AS INSTRUMENT NO. 84-440030 OF OFFICIAL RECORDS.

PARCEL 2:

LOT 321 OF TRACT NO. 461, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 18 PAGE 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5550-025-901, 5550-025-904

SITE 4

**LOS ANGELES POLICE DEPARTMENT EMERGENCY SERVICES DIVISION
FACILITY
(2029 N. MAIN ST., LOS ANGELES, CA 90031)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 1, 2, 3, 4, 5 AND 6 IN BLOCK 10 OF THE HOMESTEAD TRACT OF THE PIONEER BUILDING LOT ASSOCIATION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 70 AND 71 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE STRIP OF LAND ADJACENT TO SAID LOT AND LYING BETWEEN THE SOUTH LINE THEREOF AND THE NORTH LINE OF MAIN STREET, AS NOW ESTABLISHED AND BOUNDED EAST AND WEST BY THE SOUTHERLY PROLONGATION OF THE EAST AND WEST LINES OF SAID LOT.

PARCEL 2:

LOT 7 IN BLOCK 10 OF THE HOMESTEAD TRACT OF THE PIONEER BUILDING LOT ASSOCIATION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 70 AND 71 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5410-018-900, -901, -902, -903, -904, -905

SITE 5

**FIRE STATION NO. 92
(10556 W. PICO BLVD., LOS ANGELES, CA 90064)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 19, 20, 21 AND 22 OF TRACT NO. 7156, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 80 PAGES 1 TO 5, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4318-002-900

SITE 6

**[LOS ANGELES POLICE DEPARTMENT WAREHOUSE
(4671 WORTH STREET, LOS ANGELES, CA 90063)]**

[Legal Description to come]

EXHIBIT B

CAPITAL EQUIPMENT SCHEDULE

**[EQUIPMENT SCHEDULE TO CONSIST OF CAPITAL EQUIPMENT FINANCED OR REFINANCED BY THE COMMERCIAL PAPER TO BE
RETIRED BY PROCEEDS OF THE SERIES 2023-A BONDS]**

EXHIBIT C-1

SCHEDULE OF SERIES 2023-A BONDS AGGREGATE BASIC LEASE PAYMENTS

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
---------------------	--------------------------------	-------------------------------	--------------	----------------------------

Total	_____	_____	_____	_____
	=====	=====	=====	=====

EXHIBIT C-2

SCHEDULE OF BASIC LEASE PAYMENTS FOR EACH REAL PROPERTY

North Central District Yard

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
---------------------	----------------------------	---------------------------	--------------	------------------------

Total

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Fire Station No. 10

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
---------------------	--------------------------------	-------------------------------	--------------	----------------------------

Total

_____	_____	_____	_____
_____	_____	_____	_____

Fire Station No. 41

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
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Total

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Los Angeles Police Department Emergency Services Division Facility

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
---------------------	----------------------------	---------------------------	--------------	------------------------

Total

_____	_____	_____	_____	_____
=====	=====	=====	=====	=====

Fire Station No. 92

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
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Total

_____	_____	_____	_____
=====	=====	=====	=====

[Los Angeles Police Department Warehouse]

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
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Total

_____	_____	_____	_____
=====	=====	=====	=====

EXHIBIT C-3

SCHEDULE OF BASIC LEASE PAYMENTS FOR CAPITAL EQUIPMENT

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

EXHIBIT D

LEASE TERMS FOR REAL PROPERTY

<u>Facility</u>	<u>Term</u>	<u>Maximum Extension</u>
North Central District Yard	[May 1, 2043]	[May 1, 2053]
Fire Station No. 10	[May 1, 2043]	[May 1, 2053]
Fire Station No. 41	[May 1, 2043]	[May 1, 2053]
Los Angeles Police Department Emergency Services Division Facility	[May 1, 2043]	[May 1, 2053]
Fire Station No. 92	[May 1, 2043]	[May 1, 2053]
[Los Angeles Police Department Warehouse]	[May 1, 2043]	[May 1, 2053]

Exhibit F – Assignment Agreement

RECORDING REQUESTED BY AND)
 WHEN RECORDED MAIL TO:)
)
 NIXON PEABODY LLP)
 300 South Grand Avenue, Suite 4100)
 Los Angeles, California 90071-3151)
 Attention: Jade Turner-Bond, Esq.)

(Space above for Recorder's use)

ASSIGNMENT AGREEMENT

Dated as of _____ 1, 2023

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

and

U.S. BANK, TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

\$_[_____]

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

LEASE REVENUE BONDS, SERIES 2023-A

(CAPITAL EQUIPMENT AND REAL PROPERTY)

NO DOCUMENTARY TRANSFER TAX DUE. This Assignment Agreement is recorded for the benefit of the City of Los Angeles and the recording is fee-exempt under Section 6103 of the California Government Code and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

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ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of _____ 1, 2023 (this “*Assignment Agreement*”), by and between the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a California nonprofit public benefit corporation (the “*Corporation*”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America and authorized to accept assignments of the nature herein set forth, as trustee (the “*Trustee*”);

WITNESSETH

WHEREAS, the City and the Corporation have entered into a Site and Equipment Lease, dated as of the date hereof (the “*Site and Equipment Lease*”), pursuant to which the City agrees, among other things, to lease to the Corporation certain real property, buildings and improvements described in *Exhibit A* hereto and made a part hereof (the “*Real Property*”) and certain capital equipment described in *Exhibit B* hereto and made a part hereof (the “*Capital Equipment*”) and together with the Real Property, the “*Property*”); and

WHEREAS, the City and the Corporation have entered into a Lease Agreement, dated as of the date hereof (the “*Lease Agreement*”), pursuant to which the Corporation agrees, among other things, to sublease the Property to the City, and in consideration for which the City has agreed to pay basic lease payments (the “*Basic Lease Payments*”) and additional rental payments, all as more particularly described in the Lease Agreement; and

WHEREAS, the City, the Corporation and the Trustee have entered into an Indenture, dated as of the date hereof (the “*Indenture*”), pursuant to which the Corporation is issuing its \$[_____] Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “*Series 2023-A Bonds*”); and

WHEREAS, the Corporation desires to assign and transfer certain of its right, title and interest in and to the Site and Equipment Lease and the Lease Agreement to the Trustee on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definition. All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.

Section 2. Assignment. The Corporation does hereby presently and unconditionally sell, assign and transfer to the Trustee, for the benefit of the Owners, from time to time, of the Series 2023-A Bonds, all of the Corporation’s right, title and interest in and to the Site and Equipment Lease and the Lease Agreement, including without limitation the Corporation’s right to receive Basic Lease Payments, as well as its rights to enforce payment of such Basic Lease Payments when due or otherwise to protect its interest and exercise all remedies in the event of a default or termination by the City under the Lease Agreement, in accordance with the respective

terms thereof; *provided, however*, that the Corporation retains the right to indemnification and payment or reimbursement for any costs or expenses. The right to receive Basic Lease Payments and other rights of the Corporation assigned hereunder shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture and the Lease Agreement. This Assignment constitutes a collateral assignment of the Site and Equipment Lease and the Lease Agreement by the Corporation to the Trustee as security for the Corporation's obligations under the Indenture.

Section 3. Acceptance of Assignment. The Trustee hereby accepts the assignment of such of the Corporation's right, title and interest in and to the Site and Equipment Lease and the Lease Agreement as are assigned pursuant to the terms of this Assignment Agreement, for the purpose of securing such Basic Lease Payments and rights to the Owners, from time to time, of the Series 2023-A Bonds.

Section 4. No Additional Rights or Duties. This Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the Site and Equipment Lease and the Lease Agreement and the Indenture or as otherwise set forth herein. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Corporation or the City beyond those expressly provided in the Site and Equipment Lease and the Lease Agreement and the Indenture or as otherwise set forth herein.

Section 5. Further Assurances. The Corporation will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and to further assure and confirm to the Trustee and the Owners, from time to time, of the Series 2023-A Bonds the rights and benefits intended to be conveyed pursuant hereto.

Section 6. Headings and References. The headings or titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Sections" and other subdivisions or clauses are to the corresponding sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Assignment Agreement as a whole and not to any particular section, subdivision or clause hereof. The use herein of the words "including" and "includes," and words of similar import, shall be deemed to be followed by the phrase "without limitation."

Section 7. Governing Law. This Assignment Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8. Counterparts. This Assignment Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

Section 9. Amendment. This Assignment Agreement may be amended by the parties hereto in writing, but only to the extent and under the circumstances the Indenture may be amended in accordance with and as permitted by its terms.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto have executed this Assignment Agreement as of the date first above written.

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES, as Assignor

By: _____
Ha To
Assistant Secretary and Assistant Treasurer

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee and Assignee

By: _____
Authorized Officer

-Signature Page to Assignment Agreement-

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

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

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

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

WITNESS my hand and official seal.

Signature (Seal)

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

SITE 1

**NORTH CENTRAL DISTRICT YARD
(452 SAN FERNANDO RD, LOS ANGELES, CA 90031)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAN FERNANDO ROAD, (FORMERLY AVENUE 20) AS SAID ROAD WAS ESTABLISHED BY FINAL DECREE RENDERED OCTOBER 24, 1917 IN THE LOS ANGELES COUNTY SUPERIOR COURT CASE NO. 71131, DISTANT THEREON 20 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAN FERNANDO ROAD, 130 FEET; THENCE EASTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8, 160 FEET, MORE OR LESS, TO A POINT IN THE CENTER LINE OF THE SPUR TRACK OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS LOCATED NOVEMBER 7, 1917, AND BEING THE SOUTHWEST CORNER OF THE LAND CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, A CORPORATION, BY DEED DATED NOVEMBER 7, 1917, RECORDED IN BOOK 6601 PAGE 43 OF DEEDS; THENCE NORTHERLY ALONG SAID CENTER LINE BEING THE WESTERLY LINE OF THE LAND SO CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, A CORPORATION, TO A POINT 20 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8, MEASURED ALONG A LINE DRAWN PARALLEL WITH THE EASTERLY LINE OF SAID SAN FERNANDO VALLEY ROAD; THENCE WESTERLY PARALLEL WITH SAID NORTHERLY LINE OF SAID BLOCK 8 TO THE POINT OF BEGINNING.

PARCEL 2:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF

MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAN FERNANDO ROAD, FORMERLY AVENUE 20, AS ESTABLISHED WITH A WIDTH OF 80 FEET BY A DECREE ENTERED IN LOS ANGELES COUNTY SUPERIOR COURT CASE NO. 71131, SAID POINT LYING SOUTHERLY 500.40 FEET FROM THE NORTHERLY LINE OF SAID BLOCK 8 AND MEASURED ALONG SAID EASTERLY LINE; THENCE EASTERLY AT RIGHT ANGLES, A DISTANCE OF 60 FEET; THENCE SOUTHERLY AT RIGHT ANGLES TO THE NORTHWESTERLY LINE OF THE RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD CO.; THENCE SOUTHWESTERLY ALONG SAID NORTHWESTERLY RIGHT OF WAY LINE TO SAID EASTERLY LINE OF SAID SAN FERNANDO ROAD, SAID POINT BEING MARKED BY A SEMI-BURIED RAIL; THENCE NORTHERLY ALONG SAID EASTERLY LINE 29.34 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION, IF ANY, LYING EASTERLY OF THE EASTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO HAYWARD LUMBER AND INVESTMENT COMPANY, RECORDED JANUARY 4, 1922 AS INSTRUMENT NO. 706, IN BOOK 744 PAGE 230, OFFICIAL RECORDS OF SAID COUNTY.

PARCEL 3:

THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, FORMERLY AVENUE, 20 AS ESTABLISHED WITH A WIDTH OF 80 FEET BY FINAL DECREE ENTERED OCTOBER 24, 1917 IN CASE NO. 71131 OF THE SUPERIOR COURT OF SAID COUNTY, SAID POINT BEING DISTANT 200.00 FEET SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE FROM THE NORTHWESTERLY LINE OF SAID BLOCK 8; THENCE SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE, A DISTANCE OF 300.40 FEET TO THE NORTHWESTERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO FRANK ROSE AND WIFE, RECORDED ON MAY 21, 1956 AS INSTRUMENT NO. 916 IN BOOK 51232 PAGE 230, OFFICIAL RECORDS; THENCE ALONG THE BOUNDARY LINES OF THE LAND DESCRIBED IN THE LAST RECITED DEED, NORTHEASTERLY AT RIGHT ANGLES FROM SAID NORTHEASTERLY LINE OF SAN FERNANDO ROAD, A DISTANCE OF 60.00 FEET AND SOUTHEASTERLY AT RIGHT ANGLES FROM SAID LAST RECITED COURSE, TO THE NORTHWESTERLY LINE OF THE RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY; THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY LINE TO THE CENTER LINE OF THE SPUR TRACK OF SAID RAILROAD COMPANY AS THE SAME WAS LOCATED ON

NOVEMBER 7, 1917; THENCE IN A GENERAL NORTHERLY DIRECTION, FOLLOWING SAID CENTER LINE, TO THE SOUTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO THE EASTSIDE ROCK AND GRAVEL COMPANY, RECORDED IN BOOK 6601 PAGE 43 OF DEEDS, RECORDS OF SAID COUNTY, SAID POINT BEING ALSO THE MOST EASTERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO HOME SERVICE CORPORATION, RECORDED ON APRIL 20, 1954 AS INSTRUMENT NO. 1056 IN BOOK 44369 PAGE 182, OFFICIAL RECORDS; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LAST RECITED LAND TO A POINT DISTANT 145 FEET NORTHEASTERLY, MEASURED AT RIGHT ANGLES FROM SAID NORTHEASTERLY LINE OF SAN FERNANDO ROAD, SAID POINT BEING ALSO THE MOST NORTHERLY CORNER OF THE LAND DESCRIBED IN THE DEED TO JESSIE O. WAKELIN, RECORDED ON JANUARY 5, 1921 IN BOOK 42 PAGE 6 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE SOUTHEASTERLY ALONG THE NORTHEASTERLY LINE OF SAID LAND OF WAKELIN, A DISTANCE OF 50.00 FEET TO THE MOST EASTERLY CORNER OF SAID LAND; THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID LAND OF WAKELIN, A DISTANCE OF 145.00 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

THE WESTERLY 145 FEET OF THAT PORTION OF BLOCK 8 OF THE ADDITIONAL SUBDIVISION OF THE HAMILTON TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAN FERNANDO ROAD (FORMERLY AVENUE 20) AS SAID ROAD WAS ESTABLISHED BY FINAL DECREE RENDERED OCTOBER 24, 1917, IN THE SUPERIOR COURT OF SAID COUNTY, IN ACTION NO. 71131, A DISTANCE THEREON OF 150 FEET SOUTHERLY FROM THE NORTHERLY LINE OF SAID BLOCK 8; THENCE SOUTH ALONG SAID EASTERLY LINE OF SAN FERNANDO ROAD, 50 FEET; THENCE EASTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8 TO THE CENTER LINE OF THE SPUR TRACK OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AS LOCATED NOVEMBER 7, 1917; THENCE NORTHERLY ALONG SAID CENTER LINE TO THE SOUTHWEST CORNER OF THE LAND CONVEYED TO EASTSIDE ROCK AND GRAVEL COMPANY, BY DEED RECORDED IN BOOK 6601 PAGE 43 OF DEEDS; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 8 TO THE POINT OF BEGINNING.

PARCEL 5:

A PARCEL OF LAND, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF LOT 2 OF TRACT NO. 2358, AS PER MAP RECORDED IN BOOK 23 PAGES 118 AND 119 OF MAPS, RECORDS OF LOS ANGELES COUNTY, SAID POINT OF BEGINNING BEING IN THE SOUTHWESTERLY LINE OF AVENUE TWENTY-SIX; THENCE SOUTH 37 DEGREES 34 MINUTES 30 SECONDS EAST ALONG SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-SIX TO A POINT DISTANT ON SAID SOUTHWESTERLY LINE NORTH 37 DEGREES 34 MINUTES 30 SECONDS WEST 772.13 FEET FROM THE NORTHWESTERLY LINE OF HUMBOLDT STREET (60 FEET IN WIDTH) SAID LAST MENTIONED POINT BEING IN THE NORTHWESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN DEED RECORDED IN BOOK 10078 PAGE 291 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTH 50 DEGREES 02 MINUTES 30 SECONDS WEST ALONG SAID NORTHWESTERLY LINE 99.75 FEET TO THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG THE NORTHWESTERLY LINE OF SAID LAND DESCRIBED IN SAID DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, THE SAME BEING A CURVE, CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 1885.08 FEET, AN ARC DISTANCE OF 24.41 FEET; THENCE SOUTH 57 DEGREES 22 MINUTES 45 SECONDS WEST AND CONTINUING ALONG SAID NORTHWESTERLY LINE OF SAID LAND DESCRIBED IN SAID DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, A DISTANCE OF 182.60 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-THREE; THENCE SOUTH 61 DEGREES 57 MINUTES 15 SECONDS WEST AT RIGHT ANGLES TO SAID NORTHEASTERLY LINE OF AVENUE TWENTY-THREE, A DISTANCE OF 30 FEET TO THE CENTER LINE OF SAID AVENUE TWENTY-THREE; THENCE SOUTH 28 DEGREES 02 MINUTES 45 SECONDS EAST ALONG SAID CENTER LINE, A DISTANCE OF 40.07 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 57 MINUTES 15 SECONDS EAST FROM THE POINT OF INTERSECTION OF THE SOUTHWESTERLY LINE OF AVENUE TWENTY-THREE WITH THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 10147 PAGE 86 OF OFFICIAL RECORDS, OF SAID COUNTY; SAID LAST MENTIONED POINT BEING DISTANT ALONG SAID LAST MENTIONED SOUTHWESTERLY LINE NORTH 28 DEGREES 02 MINUTES 45 SECONDS WEST 774.08 FEET FROM THE NORTHWESTERLY LINE OF HUMBOLDT STREET (30 FEET IN WIDTH); THENCE SOUTH 61 DEGREES 57 MINUTES 15 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-THREE; THENCE SOUTH 50 DEGREES 02 MINUTES 30 SECONDS WEST ALONG SAID LAST MENTIONED NORTHWESTERLY LINE, A DISTANCE OF 336.86 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-TWO (60 FEET IN WIDTH) DISTANT THEREON NORTH 28 DEGREES 02 MINUTES 25 SECONDS WEST 764.87 FEET FROM SAID LAST MENTIONED NORTHWESTERLY LINE OF SAID HUMBOLDT STREET; THENCE SOUTH 61 DEGREES 57 MINUTES 35 SECONDS WEST, A DISTANCE OF 30 FEET TO A POINT IN THE CENTER LINE OF SAID AVENUE TWENTY-TWO; THENCE SOUTH 28 DEGREES 02 MINUTES 25 SECONDS EAST ALONG SAID LAST MENTIONED CENTER LINE, 2.75 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 57 MINUTES 35 SECONDS EAST FROM THE POINT OF INTERSECTION OF THE SOUTHWESTERLY LINE OF AVENUE TWENTY-TWO WITH THE NORTHWESTERLY LINE OF THE LAND

DESCRIBED IN DEED RECORDED IN BOOK 138 PAGE 630 OF DEEDS, RECORDS OF SAID COUNTY, SAID LAST MENTIONED POINT BEING DISTANT ALONG SAID LAST MENTIONED SOUTHWESTERLY LINE NORTH 28 DEGREES 02 MINUTES 25 SECONDS WEST 773.1 FEET FROM SAID LAST MENTIONED NORTHWESTERLY LINE OF HUMBOLDT STREET; THENCE SOUTH 61 DEGREES 57 MINUTES 35 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID SOUTHWESTERLY LINE OF AVENUE TWENTY-TWO; THENCE SOUTH 40 DEGREES 22 MINUTES 45 SECONDS WEST ALONG SAID NORTHWESTERLY LINE, A DISTANCE OF 82.51 FEET TO THE NORTHWESTERLY LINE OF THE LAND DESCRIBED IN DEED RECORDED IN BOOK 10078 PAGE 291, OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG SAID LAST MENTIONED NORTHWESTERLY LINE, THE SAME BEING A CURVE CONCAVE TO THE SOUTHEAST AND HAVING A RADIUS OF 2335 FEET, AN ARC DISTANCE OF 263.95 FEET TO A POINT IN THE NORTHEASTERLY LINE OF AVENUE TWENTY-ONE (60 FEET IN WIDTH); THENCE SOUTH 61 DEGREES 31 MINUTES 55 SECONDS WEST AT RIGHT ANGLES OF SAID NORTHEASTERLY LINE OF AVENUE TWENTY-ONE, A DISTANCE OF 30 FEET TO A POINT IN THE CENTER LINE OF SAID AVENUE TWENTY-ONE; THENCE SOUTH 28 DEGREES 28 MINUTES 05 SECONDS EAST ALONG SAID LAST MENTIONED CENTER LINE, A DISTANCE OF 5.02 FEET TO A POINT IN A LINE BEARING NORTH 61 DEGREES 31 MINUTES 55 SECONDS EAST FROM A POINT IN THE SOUTHWESTERLY LINE OF AVENUE TWENTY-ONE, DISTANT THEREON NORTH 28 DEGREES 28 MINUTES 05 SECONDS WEST 45.20 FEET FROM THE MOST EASTERLY CORNER OF BLOCK 8 ADDITIONAL SUBDIVISION IN THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 MISCELLANEOUS RECORDS, OF SAID COUNTY; THENCE SOUTH 61 DEGREES 31 MINUTES 55 SECONDS WEST, A DISTANCE OF 30 FEET TO SAID LAST MENTIONED SOUTHWESTERLY LINE; THENCE ALONG THE SAID SOUTHWESTERLY LINE SOUTH 28 DEGREES 28 MINUTES 05 SECONDS EAST TO A LINE PARALLEL WITH AND 22.50 FEET NORTHWESTERLY MEASURED AT RIGHT ANGLES FROM THE SOUTHWESTERLY LINE OF THE LAND DESCRIBED IN THE DEED RECORDED IN BOOK 1312 PAGE 124 OF OFFICIAL RECORDS; THENCE SOUTHWESTERLY ALONG THE SAID PARALLEL LINE TO THE WESTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO THE SAID CITY OF LOS ANGELES, RECORDED AUGUST 1, 1922 AS INSTRUMENT NO. 1014 IN BOOK 1312 PAGE 124 OF OFFICIAL RECORDS; THENCE NORTHERLY ALONG THE CURVED WESTERLY LINE OF SAID LAND, BEING A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 256.29 FEET TO THE TANGENT COURSE IN THE SAID WESTERLY LINE; THENCE ALONG THE SAID TANGENT COURSE AND ITS PROLONGATION, NORTH 34 DEGREES 04 MINUTES WEST TO A LINE PARALLEL WITH AND 30 FEET NORTHWESTERLY MEASURED AT RIGHT ANGLES FROM THE NORTHWESTERLY LINE OF BLOCK 8, ADDITIONAL SUBDIVISION IN THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, RECORDS OF SAID COUNTY; THENCE SOUTHWESTERLY ALONG THE SAID LAST MENTIONED PARALLEL LINE TO THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, 80 FEET WIDE, FORMERLY AVENUE 20; THENCE NORTHWESTERLY ALONG THE SAID NORTHEASTERLY LINE TO THE NORTHWEST LINE OF SAID LOT 31 1/2; THENCE NORTHEASTERLY ALONG THE LAST MENTIONED NORTHWESTERLY

LINE, TO AND ALONG THE NORTHWESTERLY LINE OF SAID LOT 2, TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF LYING WITHIN THE LINES OF AVENUE TWENTY-ONE, 60 FEET WIDE, (FORMERLY CHESTNUT STREET), AS SHOWN ON THE MAP OF THE HAMILTON TRACT, AS PER MAP RECORDED IN BOOK 28 PAGE 96 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION INCLUDED WITHIN LACY STREET, 50 FEET WIDE, ALL OR PORTIONS OF WHICH ARE DESCRIBED IN ORDINANCE NO. 110,003 OF THE CITY OF LOS ANGELES ADOPTED AUGUST 27, 1957.

ALSO EXCEPT THEREFROM THOSE PORTIONS LYING NORTHEASTERLY AND EASTERLY OF THE SOUTHWESTERLY AND WESTERLY BOUNDARY LINES OF THE LAND DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED APRIL 27, 1960 AS INSTRUMENT NO. 3263, OF OFFICIAL RECORDS.

APN: 5447-003-901

SITE 2

**FIRE STATION NO. 10
(1335 S. OLIVE ST., LOS ANGELES, CA 90015)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 14 AND 16 IN BLOCK "F" OF MORRIS VINEYARD SUBDIVISION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 38 AND 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

EXCEPT THEREFROM THE SOUTHEASTERLY 20 FEET AS CONDEMNED FOR THE WIDENING OF OLIVE STREET.

PARCEL 2:

LOT 18 IN BLOCK "F" OF MORRIS VINEYARD SUBDIVISION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 38 AND 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

APN: 5134-025-900

SITE 3

**FIRE STATION NO. 41
(1439 N. GARDNER ST., LOS ANGELES, CA 90046)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

NORTHERLY 50 FEET OF LOT 320 OF TRACT NO. 461 IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 18 PAGE 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS IN, UNDER AND RECOVERABLE FROM THE ABOVE DESCRIBED REAL PROPERTY BUT WITHOUT THE RIGHT TO ENTER DRILL OR PENETRATE IN OR UPON THE SURFACE THEREOF FOR THE PURPOSES OF REMOVING SAID CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS AS RESERVED IN DOCUMENT RECORDED APRIL 12, 1984 AS INSTRUMENT NO. 84-440030 OF OFFICIAL RECORDS.

PARCEL 2:

LOT 321 OF TRACT NO. 461, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 18 PAGE 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5550-025-901, 5550-025-904

SITE 4

**LOS ANGELES POLICE DEPARTMENT EMERGENCY SERVICES DIVISION
FACILITY
(2029 N. MAIN ST., LOS ANGELES, CA 90031)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 1, 2, 3, 4, 5 AND 6 IN BLOCK 10 OF THE HOMESTEAD TRACT OF THE PIONEER BUILDING LOT ASSOCIATION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 70 AND 71 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO THE STRIP OF LAND ADJACENT TO SAID LOT AND LYING BETWEEN THE SOUTH LINE THEREOF AND THE NORTH LINE OF MAIN STREET, AS NOW ESTABLISHED AND BOUNDED EAST AND WEST BY THE SOUTHERLY PROLONGATION OF THE EAST AND WEST LINES OF SAID LOT.

PARCEL 2:

LOT 7 IN BLOCK 10 OF THE HOMESTEAD TRACT OF THE PIONEER BUILDING LOT ASSOCIATION, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 70 AND 71 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5410-018-900, -901, -902, -903, -904, -905

SITE 5

**FIRE STATION NO. 92
(10556 W. PICO BLVD., LOS ANGELES, CA 90064)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 19, 20, 21 AND 22 OF TRACT NO. 7156, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 80 PAGES 1 TO 5, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4318-002-900

SITE 6

**[LOS ANGELES POLICE DEPARTMENT WAREHOUSE
(4671 WORTH STREET, LOS ANGELES, CA 90063)]**

[Legal Description to come]

EXHIBIT B
CAPITAL EQUIPMENT SCHEDULE

**[EQUIPMENT SCHEDULE TO CONSIST OF CAPITAL EQUIPMENT FINANCED OR REFINANCED BY THE COMMERCIAL PAPER TO BE
RETIRED BY PROCEEDS OF THE SERIES 2023-A BONDS]**

Exhibit G – Contract of Purchase

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
\$ _____
LEASE REVENUE BONDS,
SERIES 2023-A
(CAPITAL EQUIPMENT AND REAL PROPERTY)

CONTRACT OF PURCHASE

November __, 2023

Municipal Improvement Corporation of Los Angeles
c/o City of Los Angeles
City Administrative Officer
200 North Main Street
City Hall East, Room 1500
Los Angeles, California 90012

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
City Hall East, Room 1500
Los Angeles, California 90012

Ladies and Gentlemen:

The undersigned on behalf of itself and as representative of the underwriters named on the signature page hereto (hereinafter called the “Underwriters”) offers to enter into this agreement with the City of Los Angeles (the “City”) and the Municipal Improvement Corporation of Los Angeles (“MICLA”), which, upon acceptance of this offer by the City and MICLA, will be binding upon the City, MICLA and the Underwriters. This offer is made subject to the written acceptance hereof by the City and MICLA on or before 11:59 p.m., Los Angeles Time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by telecopy, electronic mail or otherwise) given to the City and MICLA at any time prior to the acceptance hereof by the City. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Official Statement (defined herein) or, if not defined therein, in the Indenture (defined herein).

1. Purchase and Sale.

(a) Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters, jointly and severally, hereby agree to purchase, and the City and MICLA hereby agree to sell all (but not less than all) of \$_____ Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “Series 2023-A Bonds”).

The Series 2023-A Bonds shall be dated the date of delivery thereof and shall be payable in the years and the amounts, and bear interest at the rates, set forth in Schedule I hereto, such interest being payable on May 1 and November 1 of each year, commencing May 1, 2024.

The purchase price for the Series 2023-A Bonds shall be \$_____, which is equal to the aggregate principal amount of the Series 2023-A Bonds, plus [net] original issue premium of \$_____ for the Series 2023-A Bonds, less the Underwriters’ discount of \$_____.

Error! Unknown document property name.

The Series 2023-A Bonds shall be subject to redemption prior to their stated maturities, as set forth in Schedule I hereto.

(b) The City and MICLA have delivered or caused to be delivered to the Underwriters the preliminary official statement dated _____, 2023 relating to the Series 2023-A Bonds (said preliminary official statement, together with the cover page and any and all appendices thereto and including any amendments or supplements thereto) being herein referred to as the “Preliminary Official Statement”). The City confirms that the Preliminary Official Statement was “deemed final” as of the date thereof, for purposes of Securities and Exchange Commission Rule 15c2-12, as amended (“Rule 15c2-12”), except for certain information permitted to be omitted by said Rule. The Series 2023-A Bonds are being offered pursuant to the final official statement relating to the Series 2023-A Bonds, dated November __, 2023 (said final official statement, together with the cover page and any and all appendices thereto and including any amendments or supplements thereto prior to the Closing (as defined herein), being herein referred to as the “Official Statement”). The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the City and MICLA shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative (as defined herein).

(c) The City and MICLA acknowledge and agree that (i) the purchase and sale of the Series 2023-A Bonds pursuant to this Contract of Purchase is an arm’s-length commercial transaction among the City, MICLA and the Underwriters and the Underwriters have financial and other interests that differ from those of the City and MICLA, (ii) the Underwriters are acting solely as principals and are not acting as the agents, financial advisors, municipal advisors or fiduciaries of the City or MICLA, (iii) the Underwriters have not assumed (individually or collectively) an advisory or fiduciary responsibility in favor of the City or MICLA with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City or MICLA on other matters) and the Underwriters have no contractual obligation to the City or MICLA with respect to the offering contemplated hereby except the obligations expressly set forth in this Contract of Purchase and (iv) the City and MICLA have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

2. The Series 2023-A Bonds. The Series 2023-A Bonds are being issued pursuant to the authority of MICLA’s Articles of Incorporation, California law and the Indenture, dated as of [December 1], 2023 (the “Indenture”), by and among the City, MICLA and U.S. Bank Trust Company, National Association (the “Trustee”), as trustee, and resolutions adopted by the Council of the City (the “City Council”) on [October 3], 2023 (the “City Resolution”) and adopted by MICLA’s Board of Directors on [October __], 2023 (the “MICLA Resolution,” and together with the City Resolution, the “Resolutions”). The Series 2023-A Bonds will have such other terms as are provided in the Indenture.

The proceeds of the Series 2023-A Bonds will be used to (a) refinance a portion of the outstanding commercial paper issued by MICLA to finance and refinance various capital equipment and the acquisition, construction and improvement of certain real property and (b) pay the costs of issuance of the Series 2023-A Bonds.

The Series 2023-A Bonds are secured by a pledge of Revenues and such other moneys, funds and accounts pledged to the payment of the Series 2023-A Bonds under the Indenture. The Revenues consist of the Basic Lease Payments to be made by the City to MICLA under the Lease Agreement, dated as of [December 1], 2023 (the “Lease Agreement”), by and between the City and MICLA.

MICLA will pledge and assign Basic Lease Payments received from the City under the Lease Agreement to the Trustee pursuant to the Assignment Agreement, dated as of [December 1], 2023 (the “Assignment Agreement”), by and between MICLA and the Trustee, for the benefit of the owners of the Series 2023-A Bonds.

The Resolutions, the Indenture, the Lease Agreement, the Site and Equipment Lease, the Continuing Disclosure Certificate (as defined herein), the Series 2023-A Bonds, this Contract of Purchase, and the Assignment Agreement are collectively referred to herein as the “Legal Documents.”

3. Authority. The Underwriters represent and warrant to the City and MICLA that they are duly authorized to take any action under this Contract of Purchase required to be taken by them, that RBC Capital Markets, LLC (the “Representative”) is duly authorized to execute this Contract of Purchase on behalf of the Underwriters and it has been duly authorized by the Underwriters to act hereunder and, as the representative of the Underwriters, to take all actions, and waive any condition or requirement, required or permitted to be taken or waived hereunder by the Underwriters, and that this Contract of Purchase is a binding contract of the Underwriters enforceable in accordance with its terms.

4. Offering; Issue Price.

(a) The Underwriters agree to make a bona fide public offering of the Series 2023-A Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth in the Official Statement, which prices may be changed from time to time by the Underwriters after such initial offering.

(b) The Representative, on behalf of the Underwriters, agrees to assist the City and MICLA in establishing the issue price of the Series 2023-A Bonds and shall execute and deliver to the City and MICLA at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City, MICLA and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2023-A Bonds.

(c) [Except as otherwise set forth in Schedule I attached hereto, the] City and MICLA will treat the first price at which 10% of each maturity of the Series 2023-A Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract of Purchase, the Representative shall report to the City and MICLA the price or prices at which the Underwriters have sold to the public each maturity of Series 2023-A Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Series 2023-A Bonds, the Representative agrees to promptly report to the City and MICLA the prices at which Series 2023-A Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined herein) has occurred, until either (i) all Series 2023-A Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Series 2023-A Bonds of that maturity, provided that, the Underwriters’ reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the City, MICLA or Bond Counsel.] For purposes of this Section, if Series 2023-A Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Series 2023-A Bonds. [Schedule I attached hereto sets forth the maturities of the Series 2023-A Bonds for which the 10% test has been satisfied as of the date of this Contract of

Purchase (the “10% Test Maturities”) and the prices at which the Underwriters have sold such 10% Test Maturities to the public. As shown in Schedule I, all of the maturities are 10% Test Maturities.]

(d) The Representative confirms that the Underwriters have offered the Series 2023-A Bonds to the public on or before the date of this Contract of Purchase at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Series 2023-A Bonds for which the 10% test has not been satisfied and for which the City, MICLA and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City and MICLA to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2023-A Bonds, the Underwriters will neither offer nor sell unsold Series 2023-A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the Series 2023-A Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the City and MICLA promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Series 2023-A Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2023-A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Series 2023-A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2023-A Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2023-A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(B) to promptly notify the Representative of any sales of Series 2023-A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2023-A Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by an underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2023-A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2023-A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2023-A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2023-A Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the Series 2023-A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The City and MICLA acknowledge that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Series 2023-A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023-A Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2023-A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2023-A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023-A Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series 2023-A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2023-A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023-A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City and MICLA further acknowledge that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series 2023-A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023-A Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2023-A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2023-A Bonds.

(g) The Underwriters acknowledge that sales of any Series 2023-A Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2023-A Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City and MICLA (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2023-A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2023-A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2023-A Bonds to the public),
- (iii) a purchaser of any of the Series 2023-A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Contract of Purchase by all parties.

5. Official Statement, Delivery of Other Documents. The City and MICLA shall deliver to the Underwriters, within seven business days of the date hereof, and in any event, at least three business days prior to the Closing, the Official Statement, in such quantity as the Underwriters may reasonably request in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board (“MSRB”) and subsection (b)(4) of Rule 15c2-12. The City and MICLA shall deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission. In order to assist the Underwriters in complying with Rule 15c2-12, the City will undertake, pursuant to the Continuing Disclosure Certificate, dated as of the Closing Date (the “Continuing Disclosure Certificate”), to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Certificate is set forth in, and a form of such undertaking is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

6. Use of Documents.

(a) The City and MICLA authorize the use by the Underwriters of Official Statement (including any supplements or amendments thereto and including in electronic format), and the information therein contained, in connection with the public offering and sale of the Series 2023-A Bonds. The City and MICLA also confirm their consent to the use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement (including in electronic format) in connection with the public offering of the Series 2023-A Bonds.

(b) The Representative shall file the Official Statement, and any supplement or amendment thereto, with the MSRB via its EMMA system in accordance with the rules of the MSRB.

7. Representations, Warranties and Agreements of the City. The City hereby represents and warrants as of the date hereof and agrees as follows:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State of California and the Charter of the City (the “Charter”).

(b) The City has the full legal power and authority to (i) execute and deliver the Indenture, the Lease Agreement, the Site and Equipment Lease, the Continuing Disclosure Certificate, and this Contract of Purchase (collectively, the “City Documents”); and (ii) to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) (i) The City Resolution was duly adopted by the Council of the City at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of the City Resolution; (ii) an ordinance (the “Lease Ordinance”) authorizing, among other things, the Lease Agreement was duly adopted by the Council of the City at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of the Lease Ordinance; and (iii) an ordinance (the “Fund Ordinance” and, together with the Lease Ordinance, the “Ordinances”), establishing, among other things, a fund for the purpose of recording accounting transactions relating to the Series 2023-A Bonds was duly adopted by the Council of the City at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of the Fund Ordinance.

(d) By all necessary official action, the City has duly authorized and approved (i) the execution and delivery of the City Documents; (ii) the Preliminary Official Statement and the Official Statement; (iii) the execution and delivery of, and the performance by the City of its obligations to provide the information described in, the Continuing Disclosure Certificate and its obligations contained in this Contract of Purchase; (iv) the execution of all certificates and other instruments necessary to effectuate the issuance and delivery of the Series 2023-A Bonds; and (v) the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Series 2023-A Bonds.

(e) The Series 2023-A Bonds, the Indenture, the Lease Agreement, the Site and Equipment Lease and the Continuing Disclosure Certificate will conform in all material respects to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement.

(f) At or prior to the Closing, the Indenture, the Lease Agreement, the Site and Equipment Lease, this Contract of Purchase, the Series 2023-A Bonds and the Continuing Disclosure Certificate shall have been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, shall be legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California.

(g) Between the date of this Contract of Purchase and the Closing Date, except as contemplated by the Preliminary Official Statement and the Official Statement, the City will not incur or issue any material notes, bonds or obligations for borrowed money payable from its General Fund

other than in the ordinary course of business (which ordinary course of business includes the issuance by MICLA of commercial paper notes from time to time), and, except as contemplated by the Preliminary Official Statement and the Official Statement, there shall not have been any material adverse change to the City's ability to perform its obligations under the City Documents other than changes in the ordinary course of business.

(h) The City is not in breach of or default under any applicable existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which would materially adversely affect the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an event of default which would have such effect under any such instrument; and the execution and delivery of the City Documents and the performance by the City of its obligations under the City Documents will not conflict with or constitute a breach of or default under any existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City, or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, which conflict, breach or default would materially adversely affect the ability of the City to perform its obligations under the City Documents.

(i) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Contract of Purchase, after due inquiry, overtly threatened in writing (i) in any way questioning the existence of the City or the titles of the officers executing the City Documents to their respective offices; (ii) seeking to prohibit, restrain or enjoin the execution or delivery of the City Documents, the issuance or delivery of the Series 2023-A Bonds, or application of the proceeds of sale of the Series 2023-A Bonds, or in any way contesting the validity of the City Documents, the City Resolution, the Ordinances, the Series 2023-A Bonds, or the tax-exempt status of interest due with respect to the Series 2023-A Bonds or any authority for the execution and delivery by the City of the City Documents; (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; or (iv) which would result in any material adverse change to the City's ability to perform its obligations under the City Documents.

(j) The City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as necessary (i) to qualify the Series 2023-A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2023-A Bonds for investment under the laws of such states and other jurisdictions, and will use its commercially reasonable efforts to continue such qualifications in effect so long as required for the distribution of the Series 2023-A Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction[, and further provided that the Underwriters shall bear any costs in connection with City's action under this paragraph].

(k) All approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with, the sale and delivery of the Series 2023-A Bonds under this Contract of Purchase have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2023-A Bonds; and, except as disclosed in the Preliminary Official Statement and the Official Statement, all approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under, the City Documents have been obtained.

(l) The Preliminary Official Statement (other than the information contained in the Preliminary Official Statement with respect to The Depository Trust Company (“DTC”) and the book-entry system, under the caption “UNDERWRITING,” any information expressly provided by the Underwriters for inclusion therein, and information permitted to be omitted pursuant to Rule 15c2-12, as to which no representation is made) did not, on the date thereof, and through the period up to and including the execution of this Contract of Purchase, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(m) At the time of the City’s acceptance hereof and up to and including the time of Closing (unless an event occurs of the nature described in paragraph (o) of this Section 7), the Official Statement (other than the information therein relating to DTC and the book-entry system and under the caption “UNDERWRITING,” any information expressly provided by the Underwriters for inclusion therein, as to which no representation is made) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(n) If the Official Statement is supplemented or amended pursuant to subsection (o) of this Section 7, the City agrees that, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such section) at all times during the period from the date of this Contract of Purchase to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with Section 18 hereof), the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading (other than the information relating to DTC and the book-entry system, under the caption “UNDERWRITING,” any information expressly provided by the Underwriters for inclusion therein, as to which no representation is made).

(o) If between the date of this Contract of Purchase and that date which is 25 days after the “end of the underwriting period” (as determined in accordance with Section 18 hereof) any event shall occur or be discovered that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters of any such event of which it has knowledge and, if in the reasonable opinion of the Underwriters such event requires the preparation and publication of a supplement or amendment the Official Statement, the City shall, at its expense, prepare and furnish to the Underwriters a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Underwriters.

(p) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Series 2023-A Bonds.

(q) Any certificate signed by any authorized officer of the City and delivered to the Underwriters pursuant to the City Documents or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriters as to the statements made therein.

(r) The City is not in payment default and at no time in the past ten years has been in payment default with respect to any lease obligations incurred by it supporting any bonds issued, or any certificates of participation delivered, by MICLA.

(s) The City's Audited Financial Statements for the Fiscal Year ended June 30, 2022, fairly and accurately present the financial condition of the City's General Fund as of that date, and, except as referred to in or contemplated by the Official Statement, there has not been, nor does the City reasonably anticipate that there will be, any adverse change of a material nature in the financial position, assets, properties, results of operations, or condition (financial or otherwise) of the City's General Fund..

(t) During the last five years, the City has not failed to materially comply with any previous undertakings relating to continuing disclosure of information pursuant to Rule 15c2-12, except as noted in the Preliminary Official Statement and the Official Statement.

8. Representations, Warranties and Agreements of MICLA. MICLA represents, warrants and agrees as follows:

(a) MICLA is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California.

(b) MICLA has the full legal power and authority to (i) execute and deliver the Indenture, the Lease Agreement, the Site and Equipment Lease, the Series 2023-A Bonds, the Assignment Agreement and this Contract of Purchase (collectively, the "MICLA Documents"); (ii) to sell, issue and deliver the Series 2023-A Bonds to the Underwriters as provided herein and (iii) to carry out and consummate the transactions on its part contemplated by the MICLA Documents.

(c) The MICLA Resolution was duly adopted by MICLA's Board of Directors at a meeting which was held pursuant to applicable law and with all required notice and at which a quorum was present at the time of adoption of the MICLA Resolution.

(d) By all necessary official action, MICLA has duly authorized and approved (i) the execution and delivery of the MICLA Documents; (ii) the Preliminary Official Statement and the Official Statement; (iii) the execution and delivery of, and the performance by MICLA of its obligations contained in this Contract of Purchase; (iv) the execution of all certificates and other instruments necessary to effectuate the issuance and delivery of the Series 2023-A Bonds; and (v) the performance by MICLA of the obligations on its part contained in the MICLA Documents and the consummation by it of all other transactions contemplated by the MICLA Documents in connection with the issuance of the Series 2023-A Bonds.

(e) The MICLA Documents will conform in all material respects to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement.

(f) At or prior to the Closing, the MICLA Documents shall have been duly executed and delivered by MICLA and, assuming due authorization, execution and delivery by the other parties thereto, shall be legal, valid and binding obligations of MICLA, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), and to the exercise of judicial discretion in appropriate cases.

(g) MICLA is not in breach of or default under any applicable existing constitutional provision, law or administrative regulation of the State of California or the United States binding on MICLA or any existing applicable judgment or court decree binding on MICLA or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which MICLA is a party which would materially adversely affect the ability of MICLA to perform its obligations under the MICLA Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an event of default which would have such effect under any such instrument; and the execution and delivery of the MICLA Documents and the performance by MICLA of its obligations under the MICLA Documents will not conflict with or constitute a breach of or default under any existing constitutional provision, law or administrative regulation of the State of California or the United States binding on MICLA or any existing applicable judgment or court decree binding on MICLA, or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which MICLA is a party, which conflict, breach or default would materially adversely affect the ability of MICLA to perform its obligations under the MICLA Documents

(h) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against MICLA (service of process against MICLA having been made) or, to the knowledge of the officer of MICLA executing this Contract of Purchase, after due inquiry, overtly threatened in writing (i) in any way questioning the existence of MICLA or the titles of the officers executing the MICLA Documents to their respective offices; (ii) seeking to prohibit, restrain or enjoin the execution or delivery of the MICLA Documents, the issuance or delivery of the Series 2023-A Bonds, or application of the proceeds of sale of the Series 2023-A Bonds, or in any way contesting the validity of the MICLA Documents, the MICLA Resolution, or the tax-exempt status of interest due with respect to the Series 2023-A Bonds or any authority for the execution and delivery by MICLA of the MICLA Documents; (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; or (iv) which would result in any material adverse change to MICLA's ability to perform its obligations under the MICLA Documents.

(i) MICLA will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as necessary (i) to qualify the Series 2023-A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2023-A Bonds for investment under the laws of such states and other jurisdictions, and will use its commercially reasonable efforts to continue such qualifications in effect so long as required for the distribution of the Series 2023-A Bonds; provided, however, that MICLA shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction[, and further

provided that the Underwriters shall bear any costs in connection with MICLA's action under this paragraph].

(j) All approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by MICLA of its obligations in connection with, the execution, sale and delivery of the Series 2023-A Bonds under this Contract of Purchase have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2023-A Bonds; and, except as disclosed in the Preliminary Official Statement and the Official Statement, all approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by MICLA of its obligations under, the MICLA Documents have been obtained.

(k) The Preliminary Official Statement (other than the information contained in the Preliminary Official Statement with respect to The Depository Trust Company ("DTC") and the book-entry system, under the caption "UNDERWRITING," any information expressly provided by the Underwriters for inclusion therein, and information permitted to be omitted pursuant to Rule 15c2-12, as to which no representation is made) did not, on the date thereof, and through the period up to and including the execution of this Contract of Purchase, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(l) At the time of MICLA's acceptance hereof and up to and including the time of Closing (unless an event occurs of the nature described in paragraph (n) of this Section 8), the Official Statement (other than the information therein relating to DTC and the book-entry system and under the caption "UNDERWRITING," any information expressly provided by the Underwriters for inclusion therein, as to which no representation is made) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(m) If the Official Statement is supplemented or amended pursuant to subsection (n) of this Section 8, MICLA agrees that, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such section) at all times during the period from the date of this Contract of Purchase to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with Section 18 hereof), the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading (other than the information relating to DTC and the book-entry system, under the caption "UNDERWRITING," any information expressly provided by the Underwriters for inclusion therein, as to which no representation is made).

(n) If between the date of this Contract of Purchase and that date which is 25 days after the "end of the underwriting period" (as determined in accordance with Section 18 hereof) any event shall occur or be discovered that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, MICLA shall notify the Underwriters of any such event of which it has knowledge and, if in the reasonable opinion of the Underwriters such event requires the preparation and publication of a

supplement or amendment the Official Statement, MICLA shall, at its expense, prepare and furnish to the Underwriters a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Underwriters.

(o) MICLA will refrain from taking any action, or permitting any action to be taken, with regard to which MICLA may exercise control, that results in the loss of the tax-exempt status of the interest on the Series 2023-A Bonds.

(p) Any certificate signed by any authorized officer of MICLA and delivered to the Underwriters pursuant to the MICLA Documents or any document contemplated thereby shall be deemed a representation and warranty by MICLA to the Underwriters as to the statements made therein.

(q) MICLA is not in payment default and at no time in the past ten years has been in payment default with respect to any obligations incurred by it of a character similar to the Series 2023-A Bonds.

9. Closing. At 9:00 a.m., Los Angeles time, on [December __], 2023, or at such other time or on such later date as shall have been mutually agreed upon by the City and the Representative (the “Closing Date”), the City shall cause to be delivered to DTC in New York, New York, on behalf of the Underwriters, the Series 2023-A Bonds, in definitive form duly executed by MICLA, and the Underwriters shall accept such delivery to DTC and shall pay the purchase price of the Series 2023-A Bonds as set forth in section 1(a) hereof, by delivering federal or other immediately available funds in the amount of \$_____ to MICLA. The City and MICLA shall deliver to the Underwriters the other documents hereinafter mentioned at the offices of Nixon Peabody LLP, in Los Angeles, California, or such other place as shall have been mutually agreed upon by the City and the Representative. Such payment and delivery is herein called the “Closing.” The Series 2023-A Bonds shall be prepared in fully registered form without coupons, in Authorized Denominations shall bear CUSIP numbers and shall be registered in the name of “Cede & Co.,” as nominee of DTC; there shall be one (1) bond for each maturity of the Series 2023-A Bonds (and, if Series 2023-A Bonds of the same maturity bear interest at different rates, for each Series 2023-A Bond of such maturity bearing interest at a different rate) and the Series 2023-A Bonds shall be made available for inspection by the Underwriters at least one business day prior to the Closing.

10. Closing Conditions. The Underwriters have entered into this Contract of Purchase in reliance upon the representations of the City and MICLA contained herein and the performance by the City and MICLA of their respective obligations hereunder both as of the date hereof and as of the Closing Date. The Underwriters’ obligations under this Contract of Purchase shall be conditioned upon the performance by the City and MICLA of its obligations to be performed hereunder and under the other documents and instruments delivered in connection with the execution and delivery of the Series 2023-A Bonds and shall also be subject to the following further conditions:

(a) The representations of the City and MICLA contained herein shall be true, complete and correct in all material respects (except to the extent already qualified by materiality, in which case such representations and warranties shall be true in all respects) on the date hereof and true, complete and correct in all material respects on the date of the Closing.

(b) At the time of the Closing the Legal Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Preliminary Official Statement and the Official Statement shall not have been supplemented or amended, except in each case as may have been agreed to by the Representative.

- (c) At or prior to the Closing, the Underwriters shall receive the following documents:
- (1) The Preliminary Official Statement and the Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by an authorized City representative;
 - (2) Certified copies of the Resolutions, the Ordinances, and executed copies of the Indenture, the Lease Agreement, the Site and Equipment Lease, the Continuing Disclosure Certificate and the Assignment Agreement and a certificate as to arbitrage in connection with the issuance of the Series 2023-A Bonds, in form and substance reasonably satisfactory to Bond Counsel and the City, executed on behalf of the City by an authorized City representative;
 - (3) An opinion of Nixon Peabody, LLP (“Bond Counsel”), dated the Closing Date, in substantially the form attached to the Official Statement as Appendix C, together with a letter, dated the Closing Date, from such Bond Counsel addressed to the Underwriters stating that the Underwriters may rely on such opinions as though they were addressed to them;
 - (4) An opinion of Bond Counsel, dated the Closing Date and addressed to the Representative, in substantially the form set forth in Exhibit A hereto;
 - (5) An opinion of the City Attorney, dated the date of the Closing and addressed to the Representative, in substantially the form set forth in Exhibit C hereto;
 - (6) An opinion of counsel to MICLA, dated the Closing Date and addressed to the Underwriters, in substantially the form set forth in Exhibit D hereto;
 - (7) A certificate of an authorized City representative, dated the Closing Date, to the effect that each of the representations set forth in Section 7 of this Contract of Purchase is true, accurate and complete in all material respects as of the Closing and each of the agreements of the City, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with in all material respects;
 - (8) A certificate of an authorized MICLA representative, dated the Closing Date, to the effect that each of the representations set forth in Section 8 of this Contract of Purchase is true, accurate and complete in all material respects as of the Closing and each of the agreements of MICLA, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with in all material respects;
 - (9) Evidence reasonably satisfactory to the Underwriters that, as of the Closing Date, the rating on the Series 2023-A Bonds are [“___” by Moody’s Investors Service, Inc. and “___” by Fitch Ratings];
 - (10) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, dated the Closing Date in substantially the form attached hereto as Exhibit B addressed to the City and MICLA and accompanied by a reliance letter from Disclosure Counsel to the effect that such opinion may be relied upon by the Underwriters to the same effect as if such opinion were addressed to them;
 - (11) The opinion of Norton Rose Fulbright US LLP, Underwriters’ Counsel, dated the Closing Date and addressed to the Underwriters, in form and substance satisfactory to the Underwriters;

(12) An opinion of counsel to the Trustee, addressed to the City, MICLA and the Underwriters and dated the Closing Date, to the effect that;

(A) Due Organization and Existence - the Trustee has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America with full corporate power to undertake the trusts of the Indenture;

(B) Corporate Action - the Trustee has duly authorized, executed and delivered the Indenture and the Assignment Agreement and by all proper corporate action has authorized the acceptance of the duties and obligations as the Trustee under the Indenture;

(C) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the other parties thereto, each of the Indenture and the Assignment Agreement are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(D) Consents - exclusive of federal or state securities laws and regulations, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of, and the performance of its obligations under, the Indenture or the authentication and delivery of the Series 2023-A Bonds; and

(E) No Conflict - to the best of their knowledge, there is no action, suit, proceeding or investigation pending or threatened against the Trustee before or by any court, administrative agency or tribunal (A) affecting the existence of the Trustee or the titles of its officers to their respective offices, (B) in any way questioning or affecting the validity or enforceability of the Indenture or the Assignment Agreement, (C) seeking to prevent the consummation of any of the transactions contemplated thereby or the execution and delivery of the Series 2023-A Bonds or (D) that might materially and adversely affect the performance by the Trustee of the Indenture or the Assignment Agreement or the power and authority of the Trustee to enter into and perform its respective duties under such agreements and to authenticate and deliver the Series 2023-A Bonds.

(13) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, to the effect that:

(A) Due Organization and Existence - it is duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Indenture, and to authenticate and deliver the Series 2023-A Bonds to the Underwriters pursuant to the terms of the Indenture;

(B) Due Authorization; Valid and Binding Obligations - it is duly authorized to authenticate and deliver the Series 2023-A Bonds; and

(C) No Conflict - to the best of its knowledge after due investigation, the execution and delivery by it of the Indenture and the Assignment Agreement, and the authentication and delivery of the Series 2023-A Bonds, and compliance with and performance of the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which it is a party or by which it is

bound, the articles of association, bylaws or applicable resolutions of the Trustee, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over it or any of its activities or properties, or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee.

(14) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture, the Assignment Agreement, and the authentication and delivery of the Series 2023-A Bonds by the Trustee;

(15) Evidence of such insurance as is required under the Lease Agreement in form and substance reasonably acceptable to Bond Counsel, Underwriters' Counsel and the Representative;

(16) Evidence of the fair rental value of and useful life of the equipment and real property to be leased under the Lease Agreement;

(17) Certified copies of each of the Articles of Incorporation and Bylaws of MICLA and a good standing certificate of MICLA issued by the Secretary of State of the State of California;

(18) A certificate or certificates, dated the date of the Preliminary Official Statement, of the City addressed to the Underwriters, to the effect that for purposes of compliance with Rule 15c2-12, the City deems the Preliminary Official Statement to be final as of its date;

(19) Copies of the preliminary and final notices to the California Debt and Investment Advisory Commission relating to the Series 2023-A Bonds; and

(20) Such additional legal opinions, certificates, instruments and other documents as the Underwriters, Disclosure or Bond Counsel may reasonably deem necessary to evidence the due execution and delivery of the Series 2023-A Bonds, the truth and accuracy as of the time of the Closing of the City's representations contained in Section 7 hereof and of MICLA's representations contained in Section 8 hereof, and performance in all material respects by the City and MICLA at or prior to the time of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City or MICLA pursuant to the Legal Documents.

The opinions and certificates and other material referred to above shall be in form and substance reasonably satisfactory to the Representative.

11. Termination. The Representative shall have the right to terminate the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Series 2023-A Bonds by notifying the City and MICLA of the Underwriters' election to do so if, after the execution hereof and prior to the Closing:

(a) the marketability of the Series 2023-A Bonds or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City and MICLA), has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States or the State of California, (B) recommended to the Congress or, except as disclosed in the Preliminary Official Statement and the Official Statement, otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) presented

as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the federal or state tax status of the City, its property or income, or the federal or state income tax treatment of interest on its obligations, including the Series 2023-A Bonds;

(b) there shall have occurred the outbreak or escalation of hostilities involving the United States or a national [or international] calamity or crisis, or the declaration by the United States of a national emergency or war, or any other calamity or crisis in the financial markets of the United States or elsewhere, which in the reasonable judgment of the Representative (after consultation with the City and MICLA) have had a materially adverse effect on the marketability of the Series 2023-A Bonds or the market price thereof;

(c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of New York or the State of California or a major financial crisis or material disruption in commercial banking or securities settlement or clearance services shall have occurred which, in the reasonable opinion of the Representative (after consultation with the City and MICLA), materially adversely affects the marketability of the Series 2023-A Bonds or the market price thereof;

(d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any underlying rating on the Series 2023-A Bonds or any bonds or notes payable from the City's General Fund by any rating service which has rated the Series 2023-A Bonds, which in the reasonable judgment of the Representative, would materially adversely affect the market price or marketability of the Series 2023-A Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2023-A Bonds;

(e) a general suspension of trading shall have occurred, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(f) an event described in subsection (o) of Section 7 or subsection (n) of Section 8 shall have occurred or be discovered which in the reasonable opinion of the Representative (after consultation with the City and MICLA) requires the preparation and publication of a supplement or amendment to the Official Statement, and, in such event, (i) the City refuses to permit the Official Statement to be supplemented to supply such statement or information in a manner satisfactory to the Representative or (ii) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Representative (after consultation with the City and MICLA), to materially adversely affect the market price or marketability of the Series 2023-A Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2023-A Bonds;

(g) a tentative decision with respect to legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or a decision by a court of the United States, or action (including a stop

order) shall be taken or a regulation shall be issued by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject, the effect of which, in the opinion of the Representative, could be that (i) the Series 2023-A Bonds are not, or may not be, exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended (the “Securities Act”); (ii) the Indenture is not, or may not be, exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”); or (iii) the issuance, offering, or sale of obligations of the general character of the Series 2023-A Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities law as amended and then in effect;

(h) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Series 2023-A Bonds, or issued a stop order or similar ruling relating thereto; or

(i) the marketability of the Series 2023-A Bonds or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City and MICLA), has been materially adversely affected by the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed additional material restrictions not in force as of the date hereof upon trading in securities generally or shall have imposed, as to any bonds or similar obligations, any material, restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

12. Expenses.

(a) The City shall pay any expenses incident to the performance of the City’s obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Series 2023-A Bonds; (ii) the fees for bond ratings; (iii) the cost of printing and distribution of the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Bond Counsel; (v) the fees and disbursements of Disclosure Counsel; (vi) the fees and disbursements of any other engineers, accountants, attorneys, verification agent and other experts or consultants or advisors retained by the City; [(vii) the expenses to qualify the Series 2023-A Bonds for sale under any Blue Sky Laws]; and (viii) any other costs and disbursements incurred by the City in connection with the transaction. The City shall reimburse the Underwriters for expenses (included in the expense component of the Underwriters’ spread) incurred on behalf of the City’s employees which are incidental to implementing this Contract of Purchase, including, but not limited to, meals, transportation and lodging of those employees.

(b) The Underwriters shall pay their own expenses including but not limited to the fees and disbursements of any attorneys retained by the Underwriters. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the sale of the Series 2023-A Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters for such fees through inclusion in the Underwriters’ discount.

(c) The City and MICLA each acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Series 2023-A Bonds.

13. Notices. Any notice or other communication to be given to the City or MICLA under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by giving the same in writing:

To the City: City of Los Angeles
City Administrative Officer
200 North Main Street
City Hall East, Room 1500
Los Angeles, California 90012
Attention: Debt Management Group

To MICLA: MICLA c/o City of Los Angeles
City Administrative Officer
200 North Main Street
City Hall East, Room 1500
Los Angeles, California 90012
Attention: MICLA Coordinator

With a copy to: Office of the City Attorney
200 North Main Street
City Hall East, 9th Floor
Los Angeles, California 90012

To the Representative: RBC Capital Markets LLC
555 S Flower St, Suite 820
Los Angeles, California 90071
Attention: Greg Dawley

14. Governing Law; Venue. This Contract of Purchase was made and entered into in the City and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City, including any applicable statute of limitation, without regard to conflict of law principles. All litigation arising out of, or relating to this Contract of Purchase, shall be brought in a State or Federal court in the County of Los Angeles in the State of California. The parties irrevocably agree to submit to the exclusive jurisdiction of such courts in the State of California and waive any defense of *forum non conveniens*.

15. Parties in Interest. This Contract of Purchase when executed by the City and MICLA shall constitute the entire agreement among the City, MICLA and the Underwriters and is made solely for the benefit of the City, MICLA and the Underwriters (including the successors or permitted assigns of any of the Underwriters but does not include any purchasers of the Series 2023-A Bonds from the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations (as of the date such representations were made) of the City or MICLA contained in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters. This Contract of Purchase may not be assigned by any party without the written consent of the other party.

16. Effective Date. This Contract of Purchase shall be effective upon the execution hereof by the Representative, on behalf of the Underwriters, the City and MICLA.

17. Headings. The headings of the sections of this Contract of Purchase are inserted for convenience only and shall not be deemed to be a part hereof.

18. End of Underwriting Period. The term “end of the underwriting period” referred to in sections 7 and 8 of this Contract of Purchase shall mean the later of such time as (i) the City delivers the Series 2023-A Bonds to the Underwriters or (ii) the Underwriters do not retain an unsold balance

of the Series 2023-A Bonds for sale to the public. Unless the Underwriters give notice to the contrary, the end of the underwriting period shall be deemed to be the Closing Date. Any notice delivered pursuant to this Section 18 shall be delivered in writing to the City at or prior to the Closing Date, and shall specify a date, other than the Closing Date (or such other date specified by notice delivered pursuant to this Section 18), to be deemed the end of the underwriting period. In no event shall the “end of the underwriting period” extend beyond the date sixty (60) days from the Closing.

19. Representation by Counsel. Each party hereto represents and acknowledges that it has been represented by competent counsel in connection with the negotiation and execution of this Contract of Purchase, and has been fully advised by said counsel with respect to its rights and obligations hereunder.

20. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the City and the Underwriters or their officers or partners set forth in, or made pursuant to, this Contract of Purchase will remain operative and in full force and effect regardless of any investigation made by or on behalf of the City or the Underwriters or any controlling person and will survive delivery of and payment for the Series 2023-A Bonds.

21. Counterparts. This Contract of Purchase may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into PDF format (or signatures in another electronic format designated by the City and MICLA) and sent by e-mail shall be deemed original signatures.

22. City Standard Provisions. Each of the Underwriters agrees that it will comply with the Standard Provisions for City Contracts attached hereto as Exhibit F.

23. Iran Contracting Act of 2010. In accordance with California Public Contract Code Sections 2200-2208, all bidders submitting proposals for, entering into, or renewing contracts with the City of Los Angeles for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit.” Each of the Underwriters shall complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit” prior to the date of the execution of this Contract of Purchase.

[Signatures appear on next page.]

Very truly yours,

RBC CAPITAL MARKETS, LLC
Stifel, Nicolaus & Company, Inc.
Drexel Hamilton, LLC
Stern Brothers & Co.

By: _____
RBC CAPITAL MARKETS, LLC,
as Representative of the Underwriters

Agreed and Accepted:

This __ day of November, 2023

CITY OF LOS ANGELES

By: _____
Name: Benjamin Ceja
Title: Assistant City Administrative Officer

APPROVED AS TO FORM

HYDEE FELDSTEIN SOTO
City Attorney

By: _____
Deputy City Attorney

Agreed and Accepted:

This __ day of November, 2023

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

By: _____
Name:
Title:

SCHEDULE I

Maturity Schedule

\$ _____
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property)

Maturity (May 1)	Principal Amount	Interest Rate	Yield	Price
	\$	%	%	

^c Priced to par call on [May] 1, 20__.

* All of the maturities are 10% Test Maturities.

Redemption Provisions

Redemption of the Series 2023-A Bonds

Optional Redemption of Series 2023-A Bonds. The Series 2023-A Bonds maturing on or before [May] 1, 20__ are not subject to optional redemption prior to their stated maturity dates. The Series 2023-A Bonds maturing on or after [May] 1, 20__ are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after [May] 1, 20__, at a redemption price equal to the principal amount of the Series 2023-A Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Mandatory Redemption. The Series 2023-A Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice, on any date, in whole or in part, from Net Proceeds as provided in the Indenture and the Lease Agreement, at a redemption price equal to the principal amount thereof together with accrued interest to the date of redemption, without premium. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to the Indenture. Notwithstanding the foregoing, the Net Proceeds arising from the damage, destruction, taking or other loss

of or to the Capital Equipment or the Real Property may be invested in a yield restricted account pursuant to the Tax Certificate and applied to the pro rata payment of principal of the Series 2023-A Bonds, or such other selection of Bonds approved in an Opinion of Counsel, so long as the Bonds are Outstanding.

If less than all Outstanding Series 2023-A Bonds are to be redeemed pursuant to the preceding paragraph, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Capital Equipment or the Real Property destroyed, damaged, stolen or taken, to redeem Series 2023-A Bonds as directed in writing by the City. Subject to the foregoing, if less than all Outstanding Series 2023-A Bonds of a Series maturing by their terms on any one date are to be so redeemed at any one time, Bonds of such Series and maturity date to be redeemed shall be selected in accordance with the Indenture. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to the Indenture.

EXHIBIT A
FORM OF SUPPLEMENTAL OPINION

[Closing Date]

[to come]

EXHIBIT B

FORM OF OPINION OF DISCLOSURE COUNSEL

[Closing Date]

[to come]

EXHIBIT C

**FORM OF OPINION OF
THE CITY ATTORNEY OF THE CITY OF LOS ANGELES**

[Closing Date]

City of Los Angeles
Los Angeles, California

Municipal Improvement Corporation of Los Angeles
Los Angeles, California

RBC Capital Markets, LLC,
as representative of the Underwriters
Los Angeles, California

\$ _____
Municipal Improvement Corporation of Los Angeles
Lease Revenue Bonds, Series 2023-A
(Capital Equipment and Real Property)

Ladies and Gentlemen:

This office has served as counsel to the City of Los Angeles (the “City”) and has participated in the proceedings relating to the issuance of the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “Bonds”), in an aggregate principal amount of \$ _____. The Bonds are being issued pursuant to an Indenture, dated as of [December 1], 2023 (the “Indenture”), by and among the Municipal Improvement Corporation of Los Angeles (“MICLA”), the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture.

In the course of the proceedings relating to the issuance of the Bonds and in connection with the delivery of the opinions stated in this letter, we have examined originals or copies of the following:

- (a) The Charter of the City of Los Angeles (the “Charter”);
- (b) The resolution, adopted by the City Council of the City (the “City Council”) on _____, authorizing the issuance of the Bonds and other related matters (the “Resolution”);
- (c) Ordinance No. _____, adopted by the City Council on _____ (the “Lease Ordinance”);

- (d) Ordinance No. _____, adopted by the City Council on _____ (the “Fund Ordinance” and, together with the Lease Ordinance, the “Ordinances”);
- (e) The Site and Equipment Lease;
- (f) The Lease Agreement;
- (g) The Assignment Agreement;
- (h) The Indenture;
- (i) The Continuing Disclosure Certificate;
- (j) The Contract of Purchase, dated _____, 2023 (the “Contract of Purchase”), by and among the City, MICLA and RBC Capital Markets, LLC, on behalf of itself and as representative of Stifel, Nicolaus & Company, Inc., Drexel Hamilton, LLC and Stern Brothers & Co.;
- (k) The Official Statement dated _____, relating to the Bonds (the “Official Statement”);
- (l) The Incumbency and Signature and Certificate of the City, dated of even date herewith;
- (m) The City Closing Certificate, dated of even date herewith; and
- (n) Such other records, documents, agreements, instruments, opinions, certificates and other matters as we deemed relevant, necessary or appropriate to render the opinions set forth below.

As to relevant factual matters, we have relied upon without undertaking to verify independently, among other things, the City’s factual representations contained in the records, documents, agreements, instruments, certificates, including the certified proceedings and certifications of City officials and others furnished to us in connection with the Bonds and related matters, and other matters described above. 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. The Indenture, the Lease Agreement, the Site and Equipment Lease, the Continuing Disclosure Certificate and the Contract of Purchase are collectively referred to herein as the “City Documents.”

From such examination, on the basis of our reliance upon the assumptions in this letter and our consideration of those questions of existing law we considered relevant, and subject to the limitations and qualifications in this letter, as of the date hereof, we are of the following opinions:

1. The City is a charter city and municipal corporation of the State of California duly organized and existing under the Constitution of the State of California and the Charter.

2. The Resolution and the Ordinances were each duly adopted by the City Council at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice having been given and at which a quorum was present at the time of adoption of such Resolution and Ordinances. The Resolution and Ordinances have not been modified, amended or rescinded and are in full force and effect on and as of the date hereof. 3.

The City Documents and the Official Statement have been duly authorized, executed and delivered by the City.

4. To the best of our knowledge, the execution and delivery of the City Documents and the Official Statement by the City, and compliance with the provisions of the City Documents under the circumstances contemplated thereby, do not, in any material respect (a) violate any applicable judgment, order or regulation applicable to the City or any Charter provision, law or ordinance of the City, and (b) conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which the City is a party or by which it is bound, and with respect to which, where such violation, conflict, breach or default would materially and adversely affect the ability of the City to perform its obligations under the City Documents.

5. No authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California (other than those that have been obtained) is required for the valid authorization, execution and delivery by the City of the City Documents and the Official Statement.

6. To the best of our knowledge, except as may otherwise be set forth in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been given to the City) or threatened against the City wherein an unfavorable decision, ruling or finding would (a) question the creation, organization, existence or powers of the City or the titles of the City Representatives to their respective offices, (b) contest the validity of the Resolution, the Ordinances, the Bonds or the City Documents, (c) contest the power of the City to enter into or perform its obligations under any of the City Documents, or (d) restrain or enjoin the payment by the City of Basic Lease Payments pursuant to the Lease Agreement or other amounts due under the Lease Agreement or the Indenture.

We express no opinion on the enforceability of the Bonds or the City Documents against the City.

The law covered by the opinions expressed herein is limited to the present law of the State of California. We express no opinion as to the laws of any other jurisdiction, and we express no opinion as to any Blue Sky laws, federal and state securities laws and tax laws.

We express no opinion about the financial ability of the City to make Basic Lease Payments in amounts sufficient to pay debt service on the Bonds, or to pay other amounts due under the Lease Agreement or the Indenture, and accordingly, our office offers no opinion whatsoever regarding such financial ability of the City or its ability to repay the Bonds.

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 Documents.

For purposes of the matters set forth in paragraph 4, we have assumed that the City will not in the future take any discretionary action (including a decision not to act) permitted by the City Documents that would cause the execution and delivery of the City Documents and compliance with provisions of the City Documents under the circumstances contemplated thereby to violate any applicable judgment, order or regulation applicable to the City or any Charter provision, law or ordinance of the City, or that would conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which the City is a party or by which it is bound.

The matters set forth in paragraph 6 are factual confirmations and not legal opinions.

The opinions set forth herein may be affected by actions taken or omitted by the City or other parties, or by events, facts or circumstances occurring after the date hereof. This letter speaks only as of the date hereof and we do not undertake, and expressly disclaim, any obligation to amend or supplement this letter as events, facts and circumstances come to our attention, or changes in law occur, after the date hereof which could affect the opinions set forth herein.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result. The opinions are 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 is given in an official capacity only and not personally, and no personal liability shall derive herefrom.

This letter is for the sole benefit of the addressees hereof and is not to be used, circulated, quoted or otherwise referred to for any purpose; provided, however, that it may be included in the transcript of record of proceedings relating to the Bonds. No other person may rely on this letter without our prior written consent. Other than the City and MICLA, no attorney-client relationship has existed or exists between our office and the addressees of this letter in connection with the Bonds or by virtue of this letter.

Very truly yours,

HYDEE FELDSTEIN SOTO,
City Attorney

By: _____
Deputy City Attorney

EXHIBIT D

**FORM OF OPINION OF
COUNSEL TO MICLA**

[Closing Date]

City of Los Angeles
Los Angeles, California

Municipal Improvement Corporation of Los Angeles
Los Angeles, California

RBC Capital Markets, LLC,
as representative of the Underwriters
Los Angeles, California

\$ _____
Municipal Improvement Corporation of Los Angeles
Lease Revenue Bonds, Series 2023-A
(Capital Equipment and Real Property)

Ladies and Gentlemen:

This office has served as counsel to the Municipal Improvement Corporation of Los Angeles (“MICLA”) and has participated in the proceedings relating to the issuance of the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “Bonds”), in an aggregate principal amount of \$ _____. The Bonds are being issued pursuant to an Indenture, dated as of [December 1], 2023 (the “Indenture”), by and among MICLA, the City of Los Angeles (the “City”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture.

In the course of the proceedings relating to the issuance of the Bonds and in connection with the delivery of the opinions stated in this letter, we have examined originals or copies of the following:

- (a) The Articles of Incorporation of MICLA (the “Articles”) and the Amended and Restated Bylaws of MICLA (the “Bylaws”);
- (b) A good standing certificate of MICLA, executed _____, issued by the Secretary of State of the State of California;
- (c) The resolution, adopted by the Board of Directors of MICLA (the “Board”) on _____, authorizing the issuance of the Bonds and other related matters (the “Resolution”);

- (d) The Site and Equipment Lease;
- (e) The Lease Agreement;
- (f) The Assignment Agreement;
- (g) The Indenture;
- (h) The Official Statement dated _____, relating to the Bonds (the “Official Statement”);
- (i) The Contract of Purchase, dated _____, 2023 (the “Contract of Purchase”), by and among the City, MICLA and RBC Capital Markets, LLC, on behalf of itself and as representative of Stifel, Nicolaus & Company, Inc., Drexel Hamilton, LLC and Stern Brothers & Co.;
- (j) The Certificate of the Corporation, dated of even date herewith; and
- (k) Such other records, documents, agreements, instruments, opinions, certificates and other matters as we deemed relevant, necessary or appropriate to render the opinions set forth below.

As to relevant factual matters, we have relied upon without undertaking to verify independently, among other things, MICLA’s factual representations contained in the records, documents, agreements, instruments, certificates, including the certified proceedings and certifications of MICLA officials and others furnished to us in connection with the Bonds and related matters, and other matters described above. 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. The Bonds, the Indenture, the Lease Agreement, the Site and Equipment Lease, the Assignment Agreement and the Contract of Purchase are collectively referred to herein as the “MICLA Documents.”

From such examination, on the basis of our reliance upon the assumptions in this letter and our consideration of those questions of existing law we considered relevant, and subject to the limitations and qualifications in this letter, as of the date hereof, we are of the following opinions:

1. MICLA is a nonprofit public benefit corporation lawfully existing in good standing under the laws and Constitution of the State of California.

2. The Resolution was duly adopted by the Board at a meeting which was held pursuant to the terms of the Articles, the Bylaws and all other applicable law and with all required notice having been given and at which a quorum was present at the time of adoption of such Resolution. The Resolution has not been modified, amended or rescinded and is in full force and effect on and as of the date hereof.

3. The MICLA Documents have been duly authorized, executed and delivered by MICLA.

4. To the best of our knowledge, the execution and delivery of the MICLA Documents by MICLA, and compliance with the provisions of the MICLA Documents under the circumstances contemplated thereby, do not, in any material respect (a) violate any applicable judgment, order or regulation applicable to MICLA or the Articles or Bylaws of MICLA, and (b) conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which MICLA is a party or by which it is bound, and with respect to which, where such violation, conflict, breach or default would materially and adversely affect the ability of MICLA to perform its obligations under the MICLA Documents.

5. No authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California (other than those that have been obtained) is required for the valid authorization, execution and delivery by MICLA of the MICLA Documents.

6. To the best of our knowledge, except as may otherwise be set forth in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been given to MICLA) or threatened against MICLA wherein an unfavorable decision, ruling or finding would (a) question the creation, organization, existence or powers of MICLA or the titles of the Corporation Representatives to their respective offices, (b) contest the validity of the Resolution or the MICLA Documents, (c) contest the power of MICLA to enter into or perform its obligations under any of the MICLA Documents, or (d) restrain or enjoin the repayment of the Bonds by MICLA.

We express no opinion on the enforceability of the MICLA Documents against MICLA.

The law covered by the opinions expressed herein is limited to the present law of the State of California. We express no opinion as to the laws of any other jurisdiction, and we express no opinion as to any Blue Sky laws, federal and state securities laws and tax laws.

We express no opinion about the financial ability of MICLA to pay debt service on the Bonds, or to pay other amounts due under the Indenture, and accordingly, our office offers no opinion whatsoever regarding such financial ability of MICLA or its ability to repay the Bonds.

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 MICLA Documents.

For purposes of the matters set forth in paragraph 4, we have assumed that MICLA will not in the future take any discretionary action (including a decision not to act) permitted by the MICLA Documents that would cause the execution and delivery of the MICLA Documents and compliance with provisions of the MICLA Documents under the circumstances contemplated thereby to violate any applicable judgment, order or regulation applicable to MICLA or the Articles or Bylaws of MICLA, or that would conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which MICLA is a party or by which it is bound.

The matters set forth in paragraph 6 are factual confirmations and not legal opinions.

The opinions set forth herein may be affected by actions taken or omitted by MICLA or other parties, or by events, facts or circumstances occurring after the date hereof. This letter speaks only as of the date hereof and we do not undertake, and expressly disclaim, any obligation to amend or supplement this letter as events, facts and circumstances come to our attention, or changes in law occur, after the date hereof which could affect the opinions set forth herein.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result. The opinions are 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 is given in an official capacity only and not personally, and no personal liability shall derive herefrom.

This letter is for the sole benefit of the addressees hereof and is not to be used, circulated, quoted or otherwise referred to for any purpose; provided, however, that it may be included in the transcript of record of proceedings relating to the Bonds. No other person may rely on this letter without our prior written consent. Other than the City and MICLA, no attorney-client relationship has existed or exists between our office and the addressees of this letter in connection with the Bonds or by virtue of this letter.

Very truly yours,

HYDEE FELDSTEIN SOTO,
City Attorney

By: _____
Deputy City Attorney

EXHIBIT E

**MUNICIPAL IMPROVEMENT CORPORATION
OF LOS ANGELES**

\$ _____*
LEASE REVENUE BONDS,
SERIES 2023-A
(CAPITAL EQUIPMENT AND REAL PROPERTY)

FORM OF ISSUE PRICE CERTIFICATE OF THE REPRESENTATIVE

The undersigned, on behalf of RBC Capital Markets, LLC (the “Representative”), on behalf of themselves, Stifel, Nicolaus & Company, Inc., Drexel Hamilton, LLC and Stern Brothers & Co. (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the \$ _____ Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2023-A (Capital Equipment and Real Property) (the “Series 2023-A Bonds”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Certificate as to Arbitrage relating to the Series 2023-A Bonds, to which this certificate is attached.

1. ***Sale of the 10% Maturities.*** As of the date of this certificate, for each Maturity of the Series 2023-A Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A. All of the maturities are 10% Test Maturities.

2. ***Defined Terms.***

(a) ***10% Test Maturities*** means those Maturities of the Series 2023-A Bonds listed in Schedule A hereto as the “10% Test Maturities.”

(b) ***Issuer*** means the Municipal Improvement Corporation of Los Angeles.

(c) ***Maturity*** means Series 2023-A Bonds with the same credit and payment terms. Series 2023-A Bonds with different maturity dates, or Series 2023-A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

* Preliminary; subject to change.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2023-A Bonds. The Sale Date of the Series 2023-A Bonds is _____, 2023.

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2023-A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2023-A Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2023-A Bonds to the Public).

3. ***Other Certifications.***

(a) The aggregate of the Initial Offering Prices of the Series 2023-A Bonds is \$_____.

(b) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the arbitrage yield with respect to the Series 2023-A Bonds.

(c) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the weighted average maturity of the Series 2023-A Bonds.

We express no view regarding the legal sufficiency of any of the above computations or the correctness of any legal interpretation made by Bond Counsel. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Series 2023-A Bonds, and by Nixon Peabody, LLP in connection with rendering their opinions that the interest on the Series 2023-A Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2023-A Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

RBC CAPITAL MARKETS, LLC, on behalf of itself
and as Representative of the Underwriting Group

By: _____
Authorized Representative

Dated: [December] __, 2023

SCHEDULE A
SALE PRICES OF THE 10% TEST MATURITIES

SCHEDULE B TO ISSUE PRICE CERTIFICATE

[ATTACH PRICING WIRE OR EQUIVALENT COMMUNICATION]

EXHIBIT F

Standard Provisions for City Contracts

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, agrees to comply with the following requirements of the City of Los Angeles (the “City”) in connection with the Contract of Purchase by and among the City of Los Angeles (the “City”), Municipal Improvement Corporation of Los Angeles and RBC Capital Markets, LLC, as the Representative, dated November __, 2023 (referred to in this Exhibit as the “Contract of Purchase”) (capitalized undefined terms used herein have the meanings ascribed thereto in the Contract of Purchase):

Section 1. Independent Contractor. Each Underwriter is an independent contractor and not an agent or employee of the City. Each Underwriter shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees or agents to be an agent or employee of the City.

Section 2. Retention of Records, Audits and Reports. The Underwriters shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract of Purchase, in their original form or as otherwise approved by the City. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by the City or (2) the expiration or termination of this Contract of Purchase. The records will be subject to examination and audit by authorized City personnel or the City’s representatives at any time. The Underwriters shall provide any reports requested by the City regarding performance of this Contract of Purchase. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Underwriters may, upon the City’s written approval, submit the required information to the City in an electronic format, e.g. USB flash drive, at the expiration or termination of this Contract of Purchase.

Section 3. Taxpayer Identification Number (“TIN”) and Withholding Taxes. The Representative declares that it has an authorized TIN which will be provided to the City on Form W-9 or such equivalent form prior to payment under the Contract of Purchase. Payments made under the Contract of Purchase shall be subject to any federal or state taxes as may be required to be withheld pursuant to any applicable law or regulation, unless otherwise exempted by such applicable law, regulations, or other evidence of exemption.

Section 4. Indemnification. The Underwriters shall defend, indemnify and hold harmless the City and the City’s boards, officers, agents, employees, assigns and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including but not limited to attorneys’ fees and costs of litigation, to the extent such suits and causes of action, claims, losses, demands and expenses arise out of or are based upon information provided by the Underwriters to the City for use in the Preliminary Official Statement and the Official Statement under the heading “UNDERWRITING.”

Section 5. Insurance. During the term of this Contract of Purchase, each Underwriter shall provide and maintain at its own expense professional liability insurance in the amount of One

Million Dollars (\$1,000,000) which covers the services performed pursuant to this Contract of Purchase, and that it will expend every reasonable effort to keep such insurance or its equivalent in effect at all times during performance of the Contract of Purchase and for one (1) year after the termination of the Contract of Purchase. The insurance must: (1) conform to the City's requirements; (2) comply with the Insurance Contractual Requirements attached to the Request for Qualifications, and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management.

Section 6. Warranty and Responsibility of the Underwriters. The Underwriters warrant that the work performed under this Contract of Purchase shall be completed in a manner consistent with professional standards practiced among those firms within the Underwriters' profession, doing the same or similar work under the same or similar circumstances.

Section 7. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Contract of Purchase is subject to the applicable non-discrimination, equal employment practices, and affirmative action program provisions in the Los Angeles Administrative Code ("LAAC") Section 10.8 et seq., as amended from time to time.

- A. Each Underwriter shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Contract of Purchase, each Underwriter shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Contract of Purchase by reference and will be known as the "Equal Employment Practices" provisions of this Contract of Purchase.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract of Purchase by reference and will be known as the "Affirmative Action Program" provisions of this Contract of Purchase.

Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 8. Child Support Assignment Orders. Each Underwriter shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, each Underwriter (and any subcontractor providing services to the City under this Contract of Purchase) shall (1) fully comply with all State and Federal employment reporting requirements for each Underwriter's or the subcontractor's employees; (2) certify that the principal owner(s) of each Underwriter and applicable subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family

Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Contract of Purchase.

Failure of any Underwriter or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of any Underwriter or applicable subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by such Underwriter under this Contract of Purchase. Failure of any Underwriter or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Contract of Purchase to termination for breach. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 9. Access and Accommodations.

Each Underwriter represents and certifies that:

- A. Each Underwriter shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 et seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et seq., the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. Each Underwriter shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;
- C. Each Underwriter shall provide reasonable accommodation upon request to ensure equal access to City-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Contract of Purchase are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

Each Underwriter understands that the City is relying upon these certifications and representations as a condition to funding this Contract of Purchase. Any subcontract entered into by each Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 10. Contractor Responsibility Ordinance. Each Underwriter shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 11. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Contract of Purchase is valued at \$100,000 or more and requires

approval by an elected City office, each Underwriter, their principals, and any subcontractors expected to receive at least \$100,000 for performance under this Contract of Purchase, and the principals of those subcontractors (the “Restricted Persons”) shall comply with Charter Section 470(c)(12) and Los Angeles Municipal Code (“LAMC”) Section 49.7.35. Failure to comply entitles the City to terminate this Contract of Purchase and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected City officials or candidates for elected City office for twelve months after this Contract of Purchase is signed. Additionally, any Underwriter subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any Underwriter subject to Charter Section 470(c)(12) shall include the following notice in any contract with any subcontractor to receive at least \$100,000 for performance under this Contract of Purchase:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Contract of Purchase, dated November __, 2023 (the “Contract of Purchase”), by and among the City of Los Angeles (the “City”), Municipal Improvement Corporation of Los Angeles and RBC Capital Markets, LLC, as the Representative. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles officials and candidates for elected City office for twelve months after the Contract of Purchase is signed. You are required to provide the names and contact information of your principals to the underwriting firm and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of the Contract of Purchase and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

Section 12. Contractor’s Use of Criminal History for Consideration of Employment Applications. Each Underwriter shall comply with the City’s “Contractor Use of Criminal History for Consideration of Employment Applications” Ordinance, LAAC Section 10.48 et seq., as amended from time to time. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 13. COVID-19. Employees of each Underwriter and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, “Contractor Personnel”), while interacting in person with City employees, contractors, volunteers or members of the public (collectively, “In-Person Services”) in order to perform services under this Contract of Purchase, must be fully vaccinated against the novel coronavirus 2019 (“COVID-19”) prior to performing such In-Person Services. “Fully vaccinated” means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and

Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, each Underwriter shall obtain proof that such Contractor Personnel have been fully vaccinated. Each Underwriter shall retain such proof for the document retention period set forth in this Contract of Purchase. Each Underwriter shall grant medical or religious exemptions (“Exemptions”) to Contractor Personnel as required by law. If any Underwriter wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, such Underwriter shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by the Underwriter. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, to the extent permitted by law, each Underwriter shall as soon as practical notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

As to Exhibit F of this Contract of Purchase:

[UNDERWRITER]

By: _____

Title: _____

Attachment B – Non-Voter Approved Debt Chart

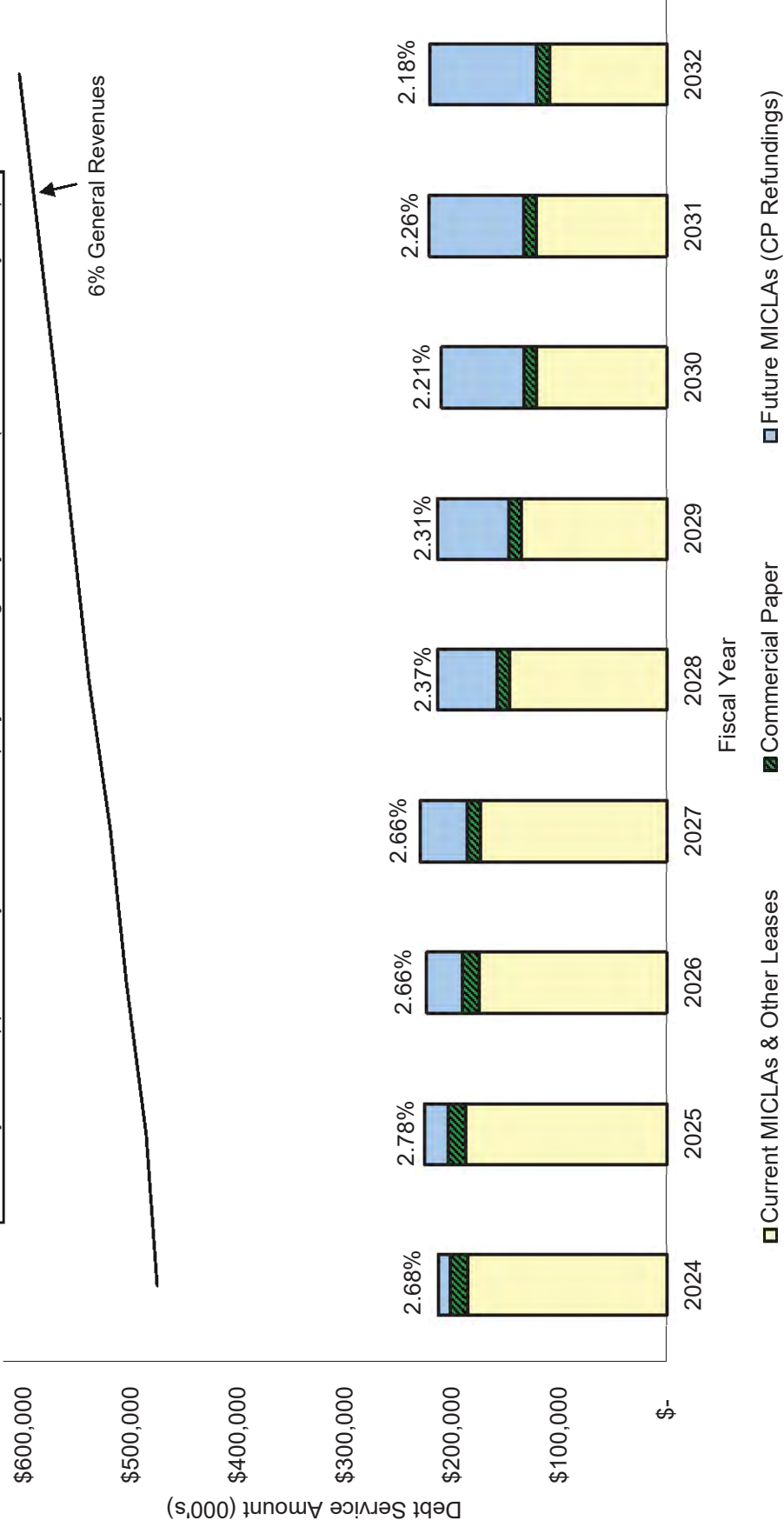
**2023-24 ADOPTED BUDGET
NON VOTER-APPROVED DEBT
September 2023**

Debt Service to General Revenues*

DEBT MANAGEMENT POLICY

Pursuant to the Debt Management Policy, the Debt Affordability Ceiling for debt service on non voter-approved debt shall be no more than 6 percent of General Revenues. The 6 percent ceiling may be exceeded only in the following situations: (1) if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5 percent or, (2) if there is not a generated revenue stream but the 6 percent ceiling will only be exceeded for one year.

For every 0.1%, approximately \$75 million in project funding may be issued (at 5.5% over 15 years).



*Projected revenue growth in Fiscal Years 2023-24 to 2027-28 is 4.5%, 2.2%, 3.8%, 2.9%, and 4.0%, respectively. Projected revenue growth in 2028-29 through 2031-32 is 2.9%.