



City of Hidden Hills

6165 Spring Valley Road * Hidden Hills, California 91302
(818) 888-9281 * Fax (818) 719-0083

MEMORANDUM

TO: Honorable Mayor and Members of the City Council

FROM: Kerry Kallman, City Manager

WRITTEN BY: Craig Hill, Finance Advisor

DATE: July 24, 2023

SUBJECT: Discussion of the City's Proposed Lease Financing to Fund the Acquisition and Construction of a City-wide Fiber Optic Broadband Network

Background

The City of Hidden Hills (the "City") is proposing to issue Certificates of Participation (the "Certificates") to finance the acquisition and construction of a City-wide fiber optic broadband network. While the City Council will consider formal action at a later date, the July 24th workshop is intended to share with the public and City Council all the documentation and information necessary for formal action. The Discussion section below, in conjunction with the attached documents, provides detail on the broadband project, the plan of finance, the legal structure of the Certificates, and the debt service scenarios under consideration.

Discussion

Project Summary:

The City's project consists of the design and construction of a network for City-wide fiber optic broadband internet service (the "Project"). The physical equipment of the Project will be owned by the City, while the management and operation of the network is expected to be performed by Onward, an internet service provider, who will be paid based on the number of internet service customers. The Project cost is currently estimated to be \$8,000,000. Construction of the Project is expected to begin in late 2023 and is anticipated to take 12 to 16 months.

Summary of Onward Agreement:

The City will be considering an agreement with Onward to provide services for network operations, network maintenance, network marketing, and billing. The business terms of the agreement are continuing to be developed by the City and Onward, but it is anticipated that the broadband program will be sustainable at a service charge of \$150/month. This charge will comprise of costs for maintaining service levels, operations and maintenance and future debt

service. The final business terms are anticipated to be brought forth to Council for consideration in August, which is also when the financing documents will be considered for approval.

Plan of Finance:

The City proposes to finance the Project by issuing tax-exempt Certificates of Participation. The Certificates are structured to obligate the City to make semi-annual payments for the use of the leased asset and will not require residents or property owners within the City to secure the obligation with a new property tax or levy. Lease payments will be made through the City's annual budget approval process. The legal structure includes the City leasing an existing asset (parking lot property) to a counterparty who then leases the property back and assigns the lease payments to the Certificate investors. The City will be required to annually budget and appropriate the lease payments due in that budget cycle. This lease-leaseback structure has been used by California public agencies for over 35 years.

Based on a review of the City's existing assets, the City's municipal advisor, NHA Advisors, recommends the encumbrance of the parking lot at Round Meadow Elementary School as the leased property (the "Leased Property"). Legally, it is important to identify an asset that has a value approximately equal to the Certificate financing. The estimated value of the proposed Leased Property is \$9,100,000 (current maximum financing amount is estimated to be \$9,000,000).

The proposed counterparty for the lease is the Public Property Financing Corporation of California (the "Corporation"), a California non-profit public benefit corporation formed and authorized to provide financial assistance to public agencies in financing the acquisition and improvement of public buildings, equipment and facilities.

The Certificate proceeds will fund the Project and related financing costs. The City has the option to fund all or a portion of the Project with Certificate proceeds (cash reserves are available to fund a portion of the costs). Using available cash to downsize the financing will decrease the annual debt service on the borrowed amounts but would reduce the City's available balances that can be used for other purposes. There is also a policy decision to be made on the repayment term of the Certificates. Based on the Project economics, there are considerations for amortizing the Certificates for as short as 15 years or as long as 25 years or greater. Shorter term debt will carry a lower interest rate and reduced overall interest costs but will require a higher annual debt service payment.

The feasibility of any specific term length will need to be evaluated carefully in the context of the anticipated Project revenues available to service the debt. If annual debt service payments are much higher than annual Project revenues, the City's General Fund would bear the burden of servicing Project-related debt at an operational deficit. For publicly issued debt, however, the City will have the option to pay off or refinance the Certificates as soon as eight years after issuance should the opportunity arise to pay off or lower the City's debt payments.

NHA Advisors analyzed a variety of preliminary scenarios for funding the Project, including the impact of applying \$2,000,000 from the City's reserves towards the Project. A comparison of the cash infusion is discussed in the "Analysis" section of this staff report.

Financing Team:

The issuance of the Certificates requires the professional services of firms specializing in public finance. The Financing Team consists of:

- **Issuer:** City of Hidden Hills
 - *Description of Role:* The Issuer receives the Certificate proceeds (to be used for the Project) and will be responsible for the semi-annual repayment of the Certificates.
- **Counterparty:** Public Property Financing Corporation of California
 - *Description of Role:* The Corporation will serve as the counterparty to the various legal agreements and assigns all its rights to the City and lease payments to the Certificate investors, per the lease-leaseback structure. The Corporation has no active role in the financing or Project operations.
- **Municipal Advisor:** NHA Advisors, LLC
 - *Description of Role:* The Municipal Advisor is the fiduciary to the Issuer and provides project management for the Certificate financing process.
- **Special Counsel and Disclosure Counsel:** Jones Hall, A Professional Law Corporation
 - *Description of Role:* The Special Counsel and Disclosure Counsel will prepare all legal and disclosure documentation and provide an opinion on the tax status of the Certificates.
- **Underwriter:** To be determined by an RFP process after the July 24 City Council workshop
 - *Description of Role:* The Underwriter will price, sell, and underwrite the Certificates. They will also conduct financial analysis and review legal and disclosure documents.
- **Trustee:** U.S. Bank
 - *Description of Role:* The Trustee will ensure that all terms and covenants of the Certificates are enforced, including making sure that principal and interest payments are made to the Certificate investors as scheduled.

Timeline of Financing Consideration and Next Steps:

Assuming the financing continues as planned after the July 24 City Council workshop, the next steps will be to onboard an underwriter and work with City staff and the rest of the financing team to prepare for a credit rating call with a third-party credit rating agency, such as Standard & Poor's, in August. City staff and the financing team will then return to City Council in late August to consider the Onward agreement and the Certificates. If the Onward agreement and the Certificates are approved, the Certificates would then price in early September and close in late September. A draft timeline is below. Please note that this timeline is subject to change.

- **July 24:** Financing workshop with City Council
- **Month of August:** Credit rating process
- **August 28:** City Council consideration of approval of the Onward agreement and Certificates resolutions and financing documents
- **Early September:** Set Certificate interest rates
- **Late September:** Closing (Fund Project)

Summary of Legal and Disclosure Documents:

The City Council will be considering the approval of resolutions and a form of financing documents, most notably the Property Lease, Lease Agreement, Trust Agreement, Purchase Agreement, and Preliminary Official Statement ("POS"). A brief description of each of these documents is included below (the current draft documents are attached).

- **Property Lease**, between the City as lessor and the Corporation as lessee, under which the City leases the Leased Property to the Corporation in consideration of an up-front rental payment that the City will apply to the acquisition and construction of the Project.
- **Lease Agreement**, between the Corporation as lessor and the City as lessee, under which the Corporation leases the Leased Property back to the City and the City agrees to pay semi-annual lease payments as rental for the Leased Property, which are equal to the principal of and interest requirements of the Certificates.
- **Trust Agreement**, whereby the Trustee agrees to execute and deliver the Certificates, hold and disburse the proceeds of the Certificates, and administer the Certificates. In an event of default by the City, the Trustee may exercise remedies detailed in the Lease Agreement, including terminating the Lease Agreement and re-leasing all or any portion of the Leased Property. The Trustee shall have 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.

- **Purchase Agreement** is the agreement specifying the terms and conditions upon which the Certificates are to be sold to the Underwriter.
- **Preliminary Official Statement** is the offering document to be distributed to potential Certificate investors. This document must contain all material information about the sources of repayment of the Certificates. It also contains risk factors and a continuing disclosure undertaking requiring the City to provide disclosures to Certificate investors in the future.

Preliminary Analysis:

For discussion and evaluation by the City, NHA Advisors prepared an analysis of four preliminary financing scenarios for the Project. For this analysis, NHA evaluated (1) 15-year and 25-year financing terms at current market rates as well as (2) fully financing or using \$2 million of City reserves to reduce the borrowing amounts.

The tables below summarize the estimated annual operational impacts to the City under the various debt service scenarios. Under each scenario, a 67% take rate (i.e. Project participation) is assumed. Estimated revenues available for debt service are based on an analysis of the preliminary business agreement framework with Onward. Estimated annual debt service reflects current market rates.

\$8.0 Million Project Funding (No Use of Reserves)

\$8.0 Million Project	Est. All-In Interest Rate	Est. Annual Debt Service	Est. Revenues Available for Debt Service	City Annual Net Revenue Less: Debt Service
25-Year Financing	4.56%	\$612,000	\$590,000	(\$22,000)
15-Year Financing	4.07%	\$858,000	\$590,000	(\$268,000)

The preliminary analysis for an \$8.0 million project funding indicates that annual debt service for a 25-year financing could almost be serviced solely from Project revenues. The shortfall between the estimated annual debt service and estimated annual Project revenues in this scenario is \$22,000. However, a financing as short as 15 years may create significant annual operational deficits. It is estimated that the City would have to contribute \$2.8 million to reduce the annual debt service on a 15-year financing to a self-sustaining level.

\$6.0 Million Project Funding (\$2 Million Use of Reserves)

\$6.0 Million Project	Est. All-In Interest Rate	Est. Annual Debt Service	Est. Revenues Available for Debt Service	City Annual Net Revenue Less: Debt Service
25-Year Financing	4.63%	\$463,000	\$590,000	\$127,000
15-Year Financing	4.18%	\$650,000	\$590,000	(\$60,000)

The preliminary analysis for a \$6.0 million project funding indicates that annual debt service for a 25-year financing could be serviced solely from anticipated Project revenues. A 15-year financing, however, would not be sustained by Project revenues and would require approximately \$623,000 of City reserves to support balanced annual operations.

Considerations

It should be noted that these estimates assume 67% participation in the Project by the community at full implementation. NHA’s analysis indicates that the 25-year \$6.0 million financing option could be fully supported by Project revenues with a take rate as low as 53%. However, the currently unsustainable 15-year and 25-year fully financed options indicate that careful consideration must be given to the appropriate borrowing amount and length of debt repayment for the City.

As such, City staff recommends continuing to evaluate structures that can be sustainably supported by Project revenues under more conservative take rate scenarios. Staff will continue to work with the financing team to determine optimal financing structures as Project conditions advance.

Next Steps

Tonight’s report was provided to give a comprehensive overview of the proposed financing structure for the Fiber to the Home project. Both the City’s Municipal Advisor and Special Counsel and Disclosure Counsel are available for questions tonight and follow up questions after tonight’s meeting.

Fiscal Impact

There is no fiscal impact associated with tonight’s discussion.

Recommendation

It is recommended that the City Council review the information provided above and provide direction as necessary.

Attachments

1. Property Lease
2. Lease Agreement
3. Trust Agreement
4. Preliminary Official Statement

RECORDING REQUESTED BY:
City of Hidden Hills

WHEN RECORDED, RETURN TO:
Scott R. Ferguson, Esq.
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

PROPERTY LEASE

Dated as of September 1, 2023

by and between the

CITY OF HIDDEN HILLS,
as Lessor

and the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Lessee

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PROPERTY LEASE

THIS PROPERTY LEASE, dated for convenience as of September 1, 2023, by and between the CITY OF HIDDEN HILLS, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), as lessor, and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a California nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), as lessee; and

WITNESSETH:

WHEREAS, the City wishes to finance the acquisition and construction of public capital improvements for the City consisting generally of City-wide fiber optic broadband network (the "Project") using a lease-leaseback financing structure and certificates of participation as further described herein.

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the financing of the costs of the acquisition and construction of the Project by leasing the following real property and improvements located thereon, as more particularly described in Exhibit A hereto (the "Leased Property"), to the Corporation pursuant to this Property Lease, in consideration of the payment by the Corporation of an upfront rental payment (as described herein, the "Property Lease Payment") that is sufficient to provide funds to finance the Project:

(i) the City-owned parking lot located at 5151 Round Meadow Road, Hidden Hills, California, Assessor's Parcel Number 2049-005-903.

WHEREAS, in order to provide revenues that are sufficient to pay debt service on the Certificates (defined below), the Corporation has agreed to sublease the Leased Property back to the City under a Lease Agreement dated as of September 1, 2023 (the "Lease Agreement"), a memorandum of which has been recorded concurrently herewith, under which the City has agreed to pay semiannual Lease Payments (as defined in the Lease Agreement) as the rental for the Leased Property thereunder.

WHEREAS, for the purpose of obtaining the moneys equal to the Property Lease Payment, the Corporation proposes to assign and transfer certain of its rights under the Lease Agreement to U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), under an Assignment Agreement dated as of September 1, 2023, between the Corporation and the Trustee, and recorded concurrently herewith.

WHEREAS, in consideration of such assignment the Trustee has agreed to execute and deliver certificates of participation captioned "City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project)," each evidencing an undivided fractional interest in the Lease

Payments made by the City under the Lease Agreement, pursuant to an unrecorded Trust Agreement dated as of September 1, 2023, among the Trustee, the City and the Corporation (the "Trust Agreement").

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. All terms specifically defined in the recitals hereto and in the Trust Agreement shall have the same respective meanings when used herein. In addition, the following terms defined in this Section 1.01 shall have the respective meanings herein set forth when used herein.

"Lease Agreement" means the Lease Agreement, dated as of September 1, 2023, by and between the Corporation as lessor and the City as lessee, together with any duly authorized and executed amendments thereto.

"Permitted Encumbrances" means, as of any particular time:

(i) the exceptions listed in a title insurance policy issued by Stewart Title Guaranty Company on or around the date of execution and delivery of the Certificates,

(ii) the liens for general ad valorem taxes and assessments, if any, not then delinquent;

(iii) the Assignment Agreement;

(iv) this Property Lease and the Lease Agreement;

(v) the Trust Agreement;

(vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law;

(vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date on which the Certificates are delivered to the purchasers thereof and which the City certifies in writing will not materially impair the use of the Leased Property; and

(viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Property Lease and to which the Corporation and the City consent in writing.

"Property Lease" means this Property Lease, together with any duly authorized and executed amendments hereto.

"Property Lease Payment" means the payments required to be paid by the Corporation on the Closing Date pursuant to Section 3.03.

Section 1.02. Article and Section Headings. Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Property Lease are to be designated Articles, Sections, and other subdivisions of this Property Lease as originally executed. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.03. References to Agreement. The words "hereof", "herein", "hereunder", and words of similar import refer to this Property Lease as a whole.

Section 1.04. Number and Gender. The singular form of any word used herein, including terms defined as provided in Section 1.01, shall include the plural, and vice versa. The use of a word of any gender shall include all genders.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. 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 general law city and municipal corporation duly organized and existing under the Constitution and laws of the State.

(b) Authorization. The laws of the State authorize the City to enter into this Property Lease and to enter into the transactions contemplated by and to carry out its obligations under this Property Lease, and the City has duly authorized and executed this Property Lease.

(c) No Violations. Neither the execution and delivery of this Property Lease 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 encumbrances whatsoever upon any of the property or assets of the City, or upon the Leased Property, except Permitted Encumbrances.

Section 2.02. Representations, Covenants and Warranties of Corporation. The Corporation represents, covenants and warrants to the City as follows:

(a) Due Organization and Existence. The Corporation is a California nonprofit public benefit corporation organized and existing under the laws of the State of California; has power to enter into the Property Lease; is possessed of full power to sublease real and personal property; and has duly authorized the execution and delivery of this Property Lease.

(b) Authorization. The laws of the State authorize the Corporation to enter into this Property Lease and to enter into the transactions contemplated by and to carry out its obligations under this Property Lease, and the Corporation has duly authorized and executed this Property Lease.

(c) No Violations. Neither the execution and delivery of this Property Lease 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 constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Leased Property, except Permitted Encumbrances.

ARTICLE III

AGREEMENT TO LEASE; TERM OF PROPERTY LEASE; PROPERTY LEASE PAYMENTS

Section 3.01. Lease. The City hereby leases the Leased Property to the Corporation, and the Corporation hereby leases the Leased Property from the City, upon the terms and conditions set forth in this Property Lease.

Section 3.02. Term. The term of this Property Lease shall commence on the Closing Date and shall end on April 1, 20__, unless such term is extended as hereinafter provided. If on April 1, 20__, the Trust Agreement has not been discharged by its terms, then the Term of this Property Lease shall be extended until the Trust Agreement shall be discharged by its terms (but in no event beyond ten years after the scheduled maturity date of the Certificates, or April 1, 20__). If prior to April 1, 20__, the Trust Agreement has been discharged by its terms, the Term of this Property Lease shall thereupon end.

Section 3.03. Property Lease Payment. The Corporation hereby agrees to pay to the City, as rental for the use and occupancy of the Leased Property during the term of this Property Lease, Property Lease Payment in the aggregate amount of \$_____. The Property Lease Payment is payable on the Closing Date and shall be deemed to have been paid when the proceeds of the Certificates are deposited with the Trustee. No further amounts shall be due and payable by the Corporation to the City under this Property Lease.

Section 3.04. Title. Title to the Leased Property shall reside in the City, and during the term of this Property Lease, the City shall hold title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Property, including those fixtures, repairs, replacements or modifications which are added to the Leased Property by the City at its own expense and which may be removed without damaging the Leased Property and including any items added to the Leased Property by the City pursuant to Section 5.8 of the Lease Agreement.

Section 3.05. No Merger. It is the express intention of the parties hereto that this Property Lease and the obligations of the parties hereunder shall be and remain separate and distinct from the Lease and the obligations of the parties thereunder, and that during the term of the Lease no merger of title or interest occur or be deemed to occur as a result of the position of the City as lessee under the Lease and as lessor under this Property Lease, or the position of the Corporation as lessee under this Property Lease.

ARTICLE IV

EMINENT DOMAIN; NET PROCEEDS

Section 4.01. Eminent Domain. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of this Property Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, this Property Lease shall continue in full 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.

Section 4.02. Application of Net Proceeds. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Property or any improvements thereon by fire or other casualty, and the Net Proceeds of any eminent domain award resulting from any event described in Section 4.01 hereof, shall be applied as set forth in Section 6.2(a) of the Lease Agreement. All such Net Proceeds shall be paid to the City or the Trustee as their interests may appear under the Lease Agreement, and the Corporation hereby waives any and all right, title and interest which it may have in and to any such Net Proceeds by virtue of its estate in the Leased Property under this Property Lease.

ARTICLE V

MISCELLANEOUS

Section 5.01. Liens. The Corporation shall not, directly or indirectly, create, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than the respective rights of the Corporation and the City as herein provided and Permitted Encumbrances.

Section 5.02. Assignment and Subleasing by the Corporation. For the purpose of providing funds to enable the Corporation to pay the Property Lease Payments on the Closing Date, the Corporation has leased the Leased Property to the City pursuant to the Lease Agreement. The Corporation shall not have the right to further sublease or to assign any of its interests under this Property Lease in and to the Leased Property or any portion thereof.

Section 5.03. Amendment. Without the prior written consent of the Trustee, the Corporation and the City will not alter, modify or cancel, or agree or consent to alter, modify or cancel this Property Lease, excepting only such alteration or modification as may be permitted by Article X of the Trust Agreement.

Section 5.04. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid:

If to the City:

City of Hidden Hills
6165 Spring Valley Road
Hidden Hills, CA 91302
Attention: City Manager

If to the Corporation:

Public Property Financing Corporation of
California
2945 Townsgate Road, Suite 200
Westlake Village, California 91361
Attention: President

If to the Trustee:

U.S. Bank Trust Company, National Association
633 West 5th Street
Los Angeles, CA 90071
Attention: Corporate Trust Services

The Corporation, the Trustee and the City, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 5.05. Binding Effect. This Property Lease shall inure to the benefit of and shall be binding upon the Corporation and the City and their respective successors and assigns.

Section 5.06. Severability. In the event any provision of this Property Lease 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 5.07. 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 Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Property Lease.

Section 5.08. Execution in Counterparts. This Property Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.09. Applicable Law. This Property Lease shall be governed by and construed in accordance with the laws of the State.

Section 5.10. Corporation and City Representatives. Whenever under the provisions of this Property Lease the approval of the Corporation or the City is required, or the Corporation or the City is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by a Corporation Representative and for the City by City Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 5.11. Captions. The captions or headings in this Property Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Property Lease.

* * * * *

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

CITY OF HIDDEN HILLS, as Lessor

By: _____
Mayor

Attest:

By: _____
City Clerk

**PUBLIC PROPERTY FINANCING CORPORATION
OF CALIFORNIA, as Lessee**

By _____
Treasurer

[notary page]

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

The land referred to herein is situated in the State of California, County of Los Angeles, City of Hidden Hills, and described as follows:

LEASE AGREEMENT

Dated as of September 1, 2023

by and between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Lessor

and the

CITY OF HIDDEN HILLS,
as Lessee

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease Agreement"), dated for convenience as of September 1, 2023, is by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a California nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), as lessor, and the CITY OF HIDDEN HILLS, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, as lessee (the "City").

RECITALS

WHEREAS, the City wishes to finance the acquisition and construction of public capital improvements for the City consisting generally of City-wide fiber optic broadband network (the "Project") using a lease-leaseback financing structure and certificates of participation as further described herein.

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the financing of the costs of the acquisition and construction of the Project by leasing the following real property and improvements located thereon, as more particularly described in Exhibit B hereto (the "Leased Property") to the Corporation pursuant to a Property Lease dated as of September 1, 2023, between the City, as lessor, and the Corporation, as lessee (the "Property Lease"), which has been recorded concurrently herewith, in consideration of the payment by the Corporation of an upfront rental payment (as defined in the Property Lease, the "Property Lease Payment") that is sufficient to provide funds to finance the Project:

(i) the City-owned parking lot located at 5151 Round Meadow Road, Hidden Hills, California, Assessor's Parcel Number 2049-005-903.

WHEREAS, in order to provide revenues that are sufficient to pay debt service on the Certificates (defined below), the Corporation has agreed to sublease the Leased Property back to the City under this Lease Agreement, under which the City has agreed to pay semiannual Lease Payments (as defined herein) as the rental for the Leased Property hereunder.

WHEREAS, for the purpose of obtaining the moneys equal to the Property Lease Payment, the Corporation proposes to assign and transfer certain of its rights under this Lease Agreement to U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), under an Assignment Agreement dated as of September 1, 2023, between the Corporation and the Trustee, and recorded concurrently herewith.

WHEREAS, in consideration of such assignment the Trustee has agreed to execute and deliver certificates of participation captioned "City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project)," each evidencing an undivided fractional interest in the Lease

Payments made by the City hereunder, pursuant to an unrecorded Trust Agreement dated as of September 1, 2023, among the Trustee, the City and the Corporation (the "Trust Agreement").

WHEREAS, the City is authorized under the Constitution and the laws of the State of California to enter into this Lease Agreement for the purposes and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. All terms specifically defined in the recitals hereto and in the Trust Agreement shall have the same respective meanings when used herein. In addition, the following terms defined in this Section 1.1 shall have the respective meanings herein set forth when used herein.

"Code" means the Internal Revenue Code of 1986, as amended.

"Lease Agreement" means this Lease Agreement, together with any duly authorized and executed amendments hereto.

"Lease Payment Date" means March 15 and September 15 of each year during the Term of this Lease Agreement, commencing September 15, 2023.

"Lease Payments" means the Lease Payments shown on Exhibit A.

"Permitted Encumbrances" means, as of any particular time:

(i) the exceptions listed in a title insurance policy issued by Stewart Title Guaranty Company on or around the date of execution and delivery of the Certificates,

(ii) the liens for general ad valorem taxes and assessments, if any, not then delinquent;

(iii) the Assignment Agreement;

(iv) this Lease Agreement and the Property Lease;

(v) the Trust Agreement;

(vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law;

(vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date on which the Certificates are delivered to the purchasers thereof and which the City certifies in writing will not materially impair the use of the Leased Property; and

(viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of

recordation of this Lease Agreement and to which the Corporation and the City consent in writing.

"Property Lease" means the Property Lease dated as of September 1, 2023, recorded concurrently herewith, by and between the City, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

"Property Lease Payment" means the payment required to be paid by the Corporation on the Closing Date pursuant to Section 3.03 of the Property Lease.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Rental Period" means each twelve-month period during the Term of this Lease Agreement commencing on April 2 in any year and ending on the next succeeding April 1, except that the first rental period shall commence on the Closing Date.

"Trust Agreement" means the Trust Agreement dated as of September 1, 2023, by and among Trustee, the Corporation and the City, relating to the Certificates.

"Trustee" means U.S. Bank Trust Company, National Association, and its successors and assigns.

Section 1.2. Article and Section Headings. Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Lease Agreement are to be designated Articles, Sections, and other subdivisions of this Lease Agreement as originally executed. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.3. References to Agreement. The words "hereof", "herein", "hereunder", and words of similar import refer to this Lease Agreement as a whole.

Section 1.4. Number and Gender. The singular form of any word used herein, including terms defined as provided in Section 1.1, shall include the plural, and vice versa. The use of a word of any gender shall include all genders.

Section 1.5. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease Agreement:

Exhibit A: The schedule of Lease Payments to be paid by the City hereunder with respect to the Leased Property, showing the date and amount of each such Lease Payment.

Exhibit B: The description of the Leased Property.

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 general law city and municipal corporation duly organized and existing under the Constitution and laws of the State.

(b) Authorization. The laws of the State authorize the City to enter into the Property Lease, this Lease Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid Agreements, and the City has duly authorized and executed all of the aforesaid Agreements.

(c) No Violations. Neither the execution and delivery of the Property Lease, this Lease Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, 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 encumbrances whatsoever upon any of the property or assets of the City, or upon the Leased Property, except Permitted Encumbrances.

(d) Possession of Leased Property. The City is in possession of the Leased Property.

(e) Fair Market Rental Value. The Lease Payments represent the fair market rental value of the Leased Property.

(f) Leased Property Essential. The Leased Property is essential for the operation of the City and the services it provides to the residents and businesses in the City.

Section 2.2. Representations, Covenants and Warranties of 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 organized and existing under the laws of the State of California; has power to enter into the Property Lease, this Lease Agreement, the Assignment Agreement and the Trust Agreement; is possessed of full power to lease real and personal property; and has duly authorized the execution and delivery of all of the aforesaid Agreements.

(b) No Encumbrances. The Corporation will not pledge the Lease Payments or any other amounts derived from the Leased Property and from its other rights under this Lease Agreement, and will not mortgage or encumber the Leased Property, except as provided under the terms of the Property Lease, this Lease Agreement, the Assignment Agreement or the Trust Agreement.

(c) No Violations. Neither the execution and delivery of the Property Lease, this Lease Agreement, the Assignment Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, 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 constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Leased Property, except Permitted Encumbrances.

(d) No Assignments. Except as provided herein, the Corporation will not assign this Lease Agreement, its right to receive Lease Payments from the City, or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

ARTICLE III

DEPOSIT OF MONEYS; ACQUISITION AND CONSTRUCTION OF THE PROJECT; SUBSTITUTION AND REMOVAL OF LEASED PROPERTY

Section 3.1. Deposit of Moneys. On the Closing Date, the Corporation shall cause to be deposited with the Trustee the proceeds of the sale of the Certificates, which shall be applied as set forth in Section 3.01 of the Trust Agreement.

Section 3.2. Acquisition and Construction of the Project. The Corporation hereby appoints the City as its agent for the purposes of acquiring and constructing the Project. The City, as agent of the Corporation, shall be diligent in acquiring and constructing the Project. In addition, in the event that the costs of acquiring and constructing the Project or any portion thereof are greater than the amount of money deposited in or transferred to the Project Fund, together with investment earnings thereon, the City agrees if, under such circumstances, it nonetheless desires to acquire the Land, to deposit into the Project Fund an amount of money necessary to pay such increased Project Costs, but only from legally available funds.

Section 3.3. Payment of Project Costs. Payment for the acquisition and construction of the Project shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.04 of the Trust Agreement.

Section 3.4. Payment of Costs of Issuance. Payment of Costs of Issuance shall be made from the moneys deposited in the Costs of Issuance Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.03 of the Trust Agreement.

Section 3.5. Substitution of Leased Property. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of this Lease, to substitute other land, facilities, improvements or other property (a "Substitute Property") for the Leased Property or any portion thereof (a "Former Property"), provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(a) The City shall take all actions and shall execute all documents required to subject such Substitute Property to the terms and provisions of this Lease, the Property Lease and the Assignment Agreement, including (i) the filing with the Corporation and the Trustee an amended Exhibit B to this Lease, Exhibit A to the Property Lease and Exhibit A to the Assignment Agreement that adds thereto a description of such Substitute Property and deletes therefrom the description of such Former Property, and (ii) the recordation in the office of the Los Angeles County Recorder of an amended memorandum of this Lease, an amendment to the Property Lease and an amendment to the Assignment Agreement that adds thereto a description of such Substitute Property and deletes therefrom the description of such Former Property.

(b) The City shall certify in writing to the Corporation and the Trustee that, based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration the factors set forth in Section 4.3(d).

(c) The City shall certify in writing to the Corporation and the Trustee that such Substitute Property serves essential public purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California.

(d) The City shall certify in writing to the Corporation and the Trustee that the estimated useful life of such Substitute Property at least extends to April 1, 20__, being the date that is 10 years after the final Lease Payment becomes due and payable hereunder.

(e) The City shall obtain a CLTA policy of title insurance meeting the requirements of Section 5.4 with respect to such Substitute Property.

(f) The Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made herein or in the Trust Agreement.

(g) Prior notice of such substitution shall be given by the City to any rating agency then rating the Certificates.

From and after the date on which all of the foregoing conditions precedent to such substitution are satisfied, the Term of this Lease shall cease with respect to the Former Property and shall be continued with respect to the Substitute Property, and all references herein to the Former Property shall apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Section 3.6. Removal of Property from Leased Property. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of this Lease, to remove any property from the description of the Leased Property, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such removal:

(a) The City shall (i) file with the Corporation and the Trustee an amended Exhibit B to this Lease, Exhibit A to the Property Lease and Exhibit A to the Assignment Agreement that deletes therefrom a description of the property to be removed, and (ii) record in the office of the Los Angeles County Recorder an amended memorandum of this Lease, an amendment to the Property Lease and an amendment to the Assignment Agreement that deletes therefrom the description of the property to be removed.

(b) The City shall certify in writing to the Corporation and the Trustee that, based on the estimated value of the Leased Property, as revised by such removal, the

remaining Lease Payments constitute fair rental value for the use and occupancy of the Leased Property, taking into consideration the factors set forth in Section 4.3(d).

(c) Prior notice of such release shall be given by the City to any rating agency then rating the Certificates.

From and after the date on which all of the foregoing conditions precedent to such removal are satisfied, the Term of this Lease shall cease with respect to the property that is so removed. The City shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such removal.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF LEASE AGREEMENT; LEASE PAYMENTS

Section 4.1. Agreement to Lease. The Corporation hereby subleases the Leased Property to the City, and the City hereby subleases the Leased Property from the Corporation, upon the terms and conditions set forth in this Lease Agreement.

Section 4.2. Term of Lease Agreement. The Term of this Lease Agreement shall commence on the Closing Date and shall end on April 1, 20__, unless such term is extended as hereinafter provided. If on April 1, 20__, the Trust Agreement has not been discharged by its terms, then the Term of this Lease Agreement shall be extended until the Trust Agreement has been discharged by its terms (but in no event beyond ten years after the scheduled maturity date of the Certificates, or April 1, 20__). If prior to April 1, 20__, the Trust Agreement has been discharged by its terms, the Term of this Lease Agreement shall thereupon end.

Section 4.3. Lease Payments.

(a) Obligation to Pay. Subject to the provisions of Articles VI and X, the City agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Property hereunder during each Rental Period, the Lease Payments (denominated into components of principal and interest) for the Leased Property in the respective amounts specified in Exhibit A, to be due and payable on the respective Lease Payment Dates specified in Exhibit A.

Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Article X and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund and available for such purpose are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Leased Property payable in any Rental Period shall be for the use of the Leased Property during such Rental Period.

(b) Effect of Prepayment. In the event that the City prepays all remaining Lease Payments, including any premium, if any, in full pursuant to Article X, the City's obligations under this Lease Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Lease Payments under this Section; subject however, to the provisions of Section 10.1 in the case of prepayment by application of a security deposit. In the event that the City purchases the Leased Property pursuant to Section 10.2, the amount paid pursuant to Section 10.2 shall be credited entirely towards the prepayment in full or in part of the Lease Payments. In the event that the City prepays the Lease Payments in part but not in whole pursuant to Section 10.3 as a result of any insurance award or condemnation award with respect to the Leased

Property, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows:

(i) the principal components of the remaining Lease Payments shall be reduced on a pro rata basis in integral multiples of \$5,000; and

(ii) the interest component of the remaining Lease Payments shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby prepaid pursuant to Section 4.01(B) of the Trust Agreement.

(c) Fair Rental Value. The Lease Payments for the Leased Property for each Rental Period shall constitute the total rental for the Leased Property during each Rental Period, and shall be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments for the Leased Property do not exceed the fair rental value of the Leased Property. In making such determination, consideration has been given to the estimated value of the Leased Property, the obligations of the parties under the Property Lease and this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(d) Budget and Appropriation. The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its budgets during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments, except to the extent such Lease Payments are payable from amounts on deposit in the Lease Payment Fund. During the Term of this Lease Agreement, the City will furnish to the Trustee a certificate that the Lease Payments due in the applicable Fiscal Year have been included in the City's budget for such Fiscal Year within 30 days after the adoption of each budget. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be 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 officials 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.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the City hereby assents to such assignment. The Corporation hereby directs the City, and the City hereby agrees to pay to the Trustee at its Principal Corporate Trust Office, all payments payable by the City pursuant to this Section 4.3 and all amounts payable by the City pursuant to Article X.

Section 4.4. Quiet Enjoyment. The Corporation shall provide the City with quiet use and enjoyment of the Leased Property, and the City shall, for the remainder of the Term of this Lease

Agreement, peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease Agreement. The Corporation will, 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 Leased Property as provided in Section 7.2.

Section 4.5. Title. During the term of this Lease Agreement, the City shall hold title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Property, including those fixtures, repairs, replacements or modifications which are added to the Leased Property by the City at its own expense and which may be removed without damaging the Leased Property and including any items added to the Leased Property by the City pursuant to Section 5.8 hereof. Such title shall be governed by the provisions of Section 3.04 of the Property Lease during the term of the Property Lease.

If the City prepays the Lease Payments in full pursuant to Article X, or makes the security deposit permitted by Section 10.1, or pays all Lease Payments 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 Leased Property under the Property Lease and this Lease Agreement shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such termination of such leasehold estates.

Section 4.6. Additional Payments. In addition to the Lease Payments, the City shall pay when due, during the term of the Lease Agreement, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), compensation or indemnification due to the Trustee and all reasonable costs and expenses of auditors, engineers and accountants.

Section 4.7. No Merger. It is the express intention of the parties hereto that this Lease Agreement and the obligations of the parties hereunder shall be and remain separate and distinct from the Property Lease and the obligations of the parties thereunder, and that during the term of the Property Lease no merger of title or interest shall occur or be deemed to occur as a result of the position of the City as lessor under the Property Lease and as lessee hereunder, or as a result of the position of the Corporation as lessee under the Property Lease and as lessor under this Lease Agreement.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or lessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Property, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of Section 1942 of the California Civil Code, and waives the right to make repairs at the expense of the Corporation or in lieu thereof, vacate under Section 1942 of the California Civil Code, and all similar rights under the statutes of similar effect, but such waiver shall not limit any of the rights of the City under the terms of this Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the City affecting the Leased Property or the interests or estates therein; provided that with respect to special assessments 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 Leased Property will be materially endangered or any part thereof will 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 and the Trustee.

Section 5.2. Modification of Leased Property. The City shall, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All additions, modifications and improvements shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and

improvements made thereto pursuant to this Section, shall be of a value which is not substantially less than the value of the Leased Property immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section; provided that if any such lien is established and the City shall first notify or cause to be notified the Corporation of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased 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 will cooperate fully in any such contest, upon the request and at the expense of the City.

Section 5.3. Public Liability and Property Damage Insurance. The City shall, maintain or cause to be maintained, throughout the Term of this Lease Agreement, insurance policies, including a standard comprehensive general liability insurance policy or policies in protection of the City, the Corporation and the Trustee, including their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.4. Fire and Extended Coverage Insurance; Title Insurance.

(a) The City shall maintain, or cause to be maintained throughout the Term of this Lease Agreement, insurance against loss or damage to any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief 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, and shall include coverage for damage from earthquakes if such earthquake coverage

is available from reputable insurance companies at a reasonable cost. Such insurance shall be in an amount equal to the lesser of (a) one hundred percent (100%) of the replacement cost of the Leased Property, or (b) the aggregate principal amount of the Outstanding Certificates. Such policy may be subject to such deductibles as the City shall deem prudent, provided that such policy must expressly waive any co-insurance penalty. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the City and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a).

(b) The City shall provide, from moneys in the Costs of Issuance Fund or at its own expense, on the Closing Date, a CLTA title insurance policy covering, and in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Leased Property, subject only to Permitted Encumbrances. The Net Proceeds of such title insurance shall be applied as provided in Section 6.2(c).

Section 5.5. Rental Interruption Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of this Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Account, and shall be credited towards the payment of the Lease Payments as the same become due and payable.

Section 5.6. Insurance Net Proceeds; Form of Policies. Each policy of insurance required by Sections 5.4 and 5.5 hereof shall provide that all proceeds thereunder shall be payable to the Trustee as loss payee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. 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 agreed to by the Trustee. The City shall cause to be delivered to the Trustee annually, on or before July 1 of each year, commencing July 1, 2024, a Certificate of the City that the insurance policies required by this Lease Agreement are in full force and effect. The Trustee may conclusively rely upon such Certificate.

Section 5.7. Advances. If the City fails 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 soon as possible, with interest at the rate of 10% per annum from the date of the advance to the date of repayment.

Section 5.8. Installation of City's Equipment. 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 Leased 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 may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. 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 Leased Property.

Section 5.9. 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 Leased 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 5.10. Compliance With Property Lease. During the term of the Property Lease, the City will observe and perform all agreements and obligations on its behalf required to be observed and performed thereunder. The City will not take any action or permit any action within its control to be taken which constitutes or which, if not corrected, with the passage of time or with notice, or both, would constitute or cause to occur any default under the Property Lease.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain. If the Leased Property is taken permanently under the power of 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 Leased Property shall be taken permanently, or if the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, (1) this Lease Agreement shall continue in full 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 (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any 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 represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. The City covenants to contest any eminent domain award which is insufficient to either prepay the Certificates in whole, if all of the Leased Property is condemned, or prepay a pro rata share of Certificates, if less than all of the Leased Property is condemned.

Section 6.2. Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Property by fire or other casualty shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, and deposited in the Insurance and Condemnation Fund for application as set forth in Section 6.01 of the Trust Agreement.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.1 hereof shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, and deposited in the Insurance and Condemnation Fund for application as set forth in Section 6.02 of the Trust Agreement.

Section 6.3. Abatement of Rental in the Event of Damage or Destruction. The amount of Lease Payments shall be abated, during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property (other than any portions of the Leased Property described in Section 5.2) or the Leased Property or any portion thereof. The amount of such abatement shall be agreed upon by the City and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed.

Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. However, notwithstanding any other provisions of this Section, there shall be no abatement of Lease Payments under this Section to the extent that the proceeds of an eminent domain or insurance award are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1. Disclaimer of Warranties. The Corporation makes 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 Leased Property, or any other representation or warranty with respect to the Leased Property. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease Agreement, the Property Lease or the Trust Agreement for the existence, furnishing, functioning or City's use of the Leased Property.

Section 7.2. Access to the Leased Property. The City agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Property. The City further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have such rights of access to the Leased Property as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the City to perform its obligations hereunder.

Section 7.3. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Corporation and its officers, agents, successors and assigns harmless from and against all claims, losses 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 Leased Property by the City, (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 or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, or (iv) any act or negligence of any lessee of the City with respect to the Leased Property. 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, its officers, agents, employees, successors or assigns.

ARTICLE VIII

ASSIGNMENT; LEASING AND AMENDMENT

Section 8.1. 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 assigned to the Trustee pursuant to the Assignment Agreement, to which assignment the City hereby consents.

Section 8.2. Assignment and Leasing by the City. This Lease Agreement may not be assigned by the City. The City may further lease any of the Leased Property or any portion thereof, but only with the written consent of the Corporation and 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 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 lease.

(iii) No such lease by the City shall cause the Leased Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State.

(iv) The City shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, stating that such lease does not cause the interest components of the Lease Payments to become subject to federal or State personal income taxes.

Section 8.3. Amendment of Lease Agreement.

(1) Except as provided in paragraph (2) below and as provided herein, without the prior written consent of the Trustee the City will 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 IX of the Trust Agreement.

(2) In addition, this Lease may be amended to obligate the City to pay additional amounts of rental hereunder for the use and occupancy of the Leased Property or any portion thereof, but only if (a) such additional amounts of rental do not cause the total rental payments made by the City under the Lease Agreement to exceed the fair rental value of the Leased Property (b) the City has obtained and filed with the Trustee and the Corporation an appraisal of the Leased Property showing that the estimated fair market value thereof is not less than the aggregate unpaid principal components of such additional amount of rental plus the existing aggregate unpaid principal components of the Lease Payments, (c) such additional amounts of rental shall be pledged or assigned for the payment of any bonds, notes, leases or other obligations the

proceeds of which shall be applied to finance or refinance the acquisition or improvement of real property or improvements and (d) the City shall send notification of the additional financing to the rating agency then rating the Certificates.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events 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 Leased Property, any one or more of the following events:

(i) Failure by the City to pay any Lease Payment when due and payable hereunder, or failure to pay any other payment when due and payable hereunder.

(ii) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of this Section, for a period of 30 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 25% in aggregate principal amount of Certificates 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 corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the City of a voluntary petition in bankruptcy under Title 11 of the United States Code or any substitute or successor statute.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof has happened and is continuing, it shall be lawful for the Corporation to 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 Trust Agreement 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 and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Leased Property, and also, at its option, with or without such entry, may terminate this Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, 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 any 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 Leased Property, or, if the Corporation does not re-lease the Leased 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 by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the 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 enter upon and re-lease the Leased 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 Leased Property to place such property in storage or other suitable place in the City, 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 entry upon and re-leasing of the Leased 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 and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased 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 Leased Property in the event of such re-entry 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 Lease 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 services in re-leasing the Leased Property.

(b) In an event of default hereunder, the Corporation may terminate this Lease Agreement and re-lease all or any portion of the Leased Property. In the event of the

termination of this Lease Agreement by the Corporation in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Corporation in any manner whatsoever or the re-leasing of the Leased 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 any credit in the event of a deficiency in the rentals received by the Corporation from the Leased Property.

Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City 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 Leased 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 9.3. 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 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party; provided, however, that the Trustee shall not be required to expend its own funds for any payment described in this Section.

Section 9.5. 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 9.6. Application of Proceeds. All net proceeds received from the re-lease or other disposition of the Leased Property under this Article IX, 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, after payment of the fees and expenses of the Trustee, including those of its attorneys, agents and advisors and shall be deposited by the Trustee in the Lease Payment account, to be applied to the Lease Payments in order of payment date.

Section 9.7. Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of Lease Payments by a deposit with the Trustee of:

(i) an amount of cash which, together with amounts on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment Schedule set forth in Exhibit A, or

(ii) Federal 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 Federal Securities then on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment dates or on any purchase option date as set forth in Section 10.2, as the City shall instruct at the time of said deposit.

In the event of a security deposit pursuant to this Section, all obligations of the City under this Lease Agreement, and all security provided by this Lease Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, Lease Payments from such security deposit, and title to the Leased Property shall be affected thereby as described in Section 4.5. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

Section 10.2. Prepayment; Purchase Option. The City may exercise its option to prepay the principal component of the Lease Payments, in whole or in part, in the amount and on the dates permitted for the prepayment of the Certificates under the Trust Agreement.

Such prepayment price shall be deposited by the Trustee in the Lease Payment Account to be applied to the prepayment of Certificates pursuant to Section 4.01(a) of the Trust Agreement. The City shall give the Trustee notice of its intention to exercise its option not less than 45 days in advance of the date of exercise. If the Lease Payments have been fully paid, and the City prepays the entire unpaid principal component of the Lease Payments, the leasehold estates created by the Property Lease and this Lease Agreement shall be automatically terminated upon such prepayment, and the Corporation Representatives and City Representatives shall execute and record a termination agreement with respect to the Property Lease, this Lease Agreement and the Assignment Agreement.

Section 10.3. Mandatory Prepayment. The City shall be obligated to prepay the Lease Payments for the Leased Property, in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or condemnation award with respect to the Leased Property have theretofore been deposited with the Trustee in the Lease Payment Fund for such purpose pursuant to Article VI hereof. Such proceeds shall be applied to the prepayment of the principal component of the Lease Payments and the Prepayment of the Certificates in accordance with Article VI of the Trust Agreement.

Section 10.4. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Lease Payments in full under this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Lease Payment Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid:

If to the City:	City of Hidden Hills 6165 Spring Valley Road Hidden Hills, CA 91302 Attention: City Manager
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: President
If to the Trustee:	U.S. Bank Trust Company, National Association 633 West 5th Street Los Angeles, CA 90071 Attention: Corporate Trust Services

The Corporation, the City and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. 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 assigns.

Section 11.3. 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 11.4. 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.

Section 11.5. 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 Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 11.6. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.7. Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.8. Corporation and City Representatives. Whenever under the provisions of this Lease Agreement the approval of the Corporation or the City is required, or the Corporation or the City is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by a Corporate Representative and for the City by a City Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.9. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

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 officers, as of the date first above written.

**PUBLIC PROPERTY FINANCING CORPORATION
OF CALIFORNIA, as Lessor**

By: _____
Treasurer

CITY OF HIDDEN HILLS, as Lessee

By: _____
Mayor

Attest:

By: _____
City Clerk

EXHIBIT A

SCHEDULE OF LEASE PAYMENTS

Payment Date*	Principal Component	Interest Component	Total Lease Payment
10/1/23			
4/1/24			
10/1/24			
4/1/25			
10/1/25			
4/1/26			
10/1/26			
4/1/27			
10/1/27			
4/1/28			
10/1/28			
4/1/29			
10/1/29			
4/1/30			
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4/1/34			
10/1/34			
4/1/35			
10/1/35			
4/1/36			
10/1/36			
4/1/37			
10/1/37			
4/1/38			
10/1/42			
4/1/43			
10/1/43			

* Lease Payments are due on the fifteenth day of the month preceding each Payment Date shown.

Payment Date*	Principal Component	Interest Component	Total Lease Payment
4/1/44			
10/1/44			
4/1/45			
10/1/45			
4/1/46			
10/1/46			
4/1/47			
10/1/47			
4/1/48			
10/1/48			
4/1/49			
10/1/49			
4/1/50			
10/1/50			
4/1/51			
10/1/51			
4/1/52			
Total			

* Lease Payments are due on the fifteenth day of the month preceding each Payment Date shown.

EXHIBIT B

DESCRIPTION OF LEASED PROPERTY

The land referred to herein is situated in the State of California, County of Los Angeles, City of Hidden Hills, and described as follows:

TRUST AGREEMENT

Dated as of September 1, 2023

by and among

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee,

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

and the

CITY OF HIDDEN HILLS

Relating to

\$ _____
City of Hidden Hills
2023 Certificates of Participation
(Broadband Financing Project)



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EXHIBIT A	FORM OF CERTIFICATE OF PARTICIPATION
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TRUST AGREEMENT

THIS TRUST AGREEMENT is dated as of September 1, 2023, by and among U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly formed, organized operating and acting pursuant to the laws of the State of California (the "Corporation"), and the CITY OF HIDDEN HILLS, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City").

RECITALS

WHEREAS, the City wishes to finance the acquisition and construction of public capital improvements for the City consisting generally of City-wide fiber optic broadband network (the "Project") using a lease-leaseback financing structure and certificates of participation as further described herein.

WHEREAS, the City has determined that it is in the interests of the City at this time to provide for the financing of the costs of the acquisition and construction of the Project by leasing the following real property and improvements located thereon (the "Leased Property") to the Corporation pursuant to that certain Property Lease dated as of September 1, 2023, by and between the City, as lessor, and the Corporation, as lessee (the "Property Lease") in consideration of the payment by the Corporation of an upfront rental payment (as described in the Property Lease, the "Property Lease Payment") that is sufficient to provide funds to finance the Project:

(i) the City-owned parking lot located at 5151 Round Meadow Road, Hidden Hills, California, Assessor's Parcel Number 2049-005-903.

WHEREAS, in order to provide revenues that are sufficient to pay debt service on the Certificates (defined below), the Corporation has agreed to sublease the Leased Property back to the City under a Lease Agreement dated as of September 1, 2023 (the "Lease Agreement"), under which the City has agreed to pay semiannual Lease Payments (as defined in the Lease Agreement) as the rental for the Leased Property thereunder.

WHEREAS, for the purpose of obtaining the moneys equal to the Property Lease Payment to be deposited into the funds and accounts established hereunder, the Corporation proposes to assign and transfer certain of its rights under the Lease Agreement to the Trustee under an Assignment Agreement dated as of September 1, 2023, between the Corporation and the Trustee, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation captioned "City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project)" (the "Certificates"), each evidencing an undivided fractional interest in the Lease Payments made by the City under the Lease Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Trust Agreement, have the meanings herein specified. In addition, any terms defined in the Lease Agreement and not otherwise defined herein shall have the respective meanings given such terms in the Lease Agreement.

"Assignment Agreement" means the Assignment Agreement, dated as of September 1, 2023, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

"Bond Counsel" means any attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is exempt from federal income taxation pursuant to Section 103 of the Code.

"Business Day" means a day of the week on which the Trustee is not required or authorized to remain closed and on which the New York Stock Exchange is open.

"Capitalized Interest Account" means the account by that name established and held by the Trustee pursuant to Section 5.02.

"Certificates" means the City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project) to be executed and delivered pursuant hereto.

"City" means the City of Hidden Hills, a general law city and municipal corporation duly organized and existing under the Constitution and the laws of the State.

"City Representative" means the Mayor, Mayor Pro Tem, City Manager, or any other person authorized by resolution of the City Council to act on behalf of the City under or with respect to this Trust Agreement and the Lease Agreement.

"Closing Date" means _____, 2023, the date upon which there is an exchange of the Certificates for the proceeds representing the purchase of the Certificates by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"Corporate Trust Office" means the corporate trust office of the Trustee at One California Street, Suite 2550, San Francisco, California 94111, Attention: Corporate Trust, or at such other address designated by the Trustee in written notice filed with the City, the Corporation and the Owners or such other place as designated by the Trustee, except that with respect to presentation of Certificates 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.

"Corporation" means the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly formed, organized, operating and existing under the laws of the State, and its successors and assigns.

"Corporation Representative" means the President, Treasurer or Secretary of the Corporation, or the designee of any such official, or any other person authorized to act on behalf of the Corporation under or with respect to the Trust Agreement, the Lease Agreement and the Site Lease, and identified as such to the Trustee in writing.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the execution, sale and delivery of the Certificates, including but not limited to printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, bond insurance or title insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03 hereof.

"Counsel" means any attorney at law or law firm (who or which may be counsel for the City, the Trustee or the Corporation).

"Event of Default" means an event of default under the Lease Agreement, as defined in Section 9.1 thereof.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the

investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

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

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

"Fiscal Year" means each twelve-month period beginning on July 1 of any year and ending on June 30 of the succeeding year, or any other twelve-month period hereafter adopted by the City as its official fiscal year period.

"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 and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to Section 6.01.

"Investment Securities" means any of the following investments which are authorized under the laws of the State of California for investment of the funds proposed to be invested therein:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S.

public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, or a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC;

(g) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's or "A-1" and better by S&P;

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and A-1+ by S&P; and

(j) Local Agency Investment Fund.

"Lease Agreement" means the Lease Agreement dated as of September 1, 2023, by and between the Corporation as lessor and the City as lessee, together with any further duly authorized and executed amendments thereto.

"Leased Property" means the real property described in Exhibit A of the Property Lease and Exhibit B of the Lease Agreement and the improvements thereon.

"Lease Default Event" means any of the events specified in Section 9.1 of the Lease Agreement.

"Lease Payments" means all payments required to be paid by the City pursuant to Section 4.3 of the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement.

"Lease Payment Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.02.

"Moody's" means Moody's Investors Service, of New York, New York, or its successors.

"Net Proceeds" when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Original Purchaser" means the first purchaser of the Certificates.

"Outstanding", when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 9.03) all Certificates theretofore, or thereupon being, executed and delivered by the Trustee under this Trust Agreement except (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates with respect to which all liability of the City shall have been discharged in accordance with Section 13.02, including Certificates (or portions of Certificates) referred to in Section 13.04; and (3) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to this Trust Agreement.

"Owner" or **"Certificate Owner"**, when used with respect to a Certificate means the person in whose name the ownership of such Certificate shall be registered.

"Payment Date" means (i) with respect to the interest component of the Lease Payments payable to the Owners of the Certificates, October 1, 2023, and the first day of each April and October thereafter so long as any Certificates are Outstanding hereunder, and (ii) with respect to the principal of the Certificates, April 1, 2024, and each April 1 thereafter so long as the Certificates are Outstanding.

"Principal Amount" means the total unpaid principal component of the Lease Payments due under Section 4.3 of the Lease Agreement.

"Project" means the public capital improvements for the City consisting generally of City-wide fiber optic broadband network.

"Project Costs" means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;

(e) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;

(f) all Costs of Issuance and other financing costs incurred in connection with the acquisition, construction and installation of the Project; and

(g) the interest components of the Lease Payments allocable to the Project or any component thereof, which come due during the period of acquisition, construction and installation of the improvements or such component.

"Record Date" means the close of business on the 15th day of the month preceding each Payment Date, whether or not such fifteenth day is a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.11 for registration and transfer of ownership of the Certificates.

"S&P" means Standard & Poor's Corporation, of New York, New York, or its successors.

"State" means the State of California.

"Term of the Lease Agreement" means the time during which the Lease Agreement is in effect, as provided in Section 4.2 of the Lease Agreement.

"Trust Agreement" or "Agreement" means this Trust Agreement, together with any amendments or supplements hereto permitted to be made hereunder.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association organized under the laws of the United States of America or any successor thereto acting as Trustee pursuant to this Trust Agreement.

"Written Request of the Corporation" means an instrument in writing signed by the Corporation Representative.

"Written Request of the City" means an instrument in writing signed by the City Representative.

Section 1.02. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Agreement, and has taken all actions necessary to authorize the execution of this Agreement by the officers and persons signing it.

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed to register, execute and deliver to the Original Purchaser: City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project), in an aggregate principal amount of \$_____. The Certificates evidence undivided fractional interests in the Lease Payments.

Section 2.02. Date. Each Certificate shall be dated as of the date of its execution, and interest with respect thereto shall be payable from the Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of a Payment Date, in which event interest represented thereby shall be payable from such Payment Date; or (ii) it is executed after a Record Date and before the following Payment Date, in which event interest represented thereby shall be payable from such Payment Date; or (iii) it is executed on or before September 15, 2023, in which event interest represented thereby shall be payable from the Closing Date; provided, however, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented by such Certificate shall be payable from the Payment Date to which interest represented thereby has previously been paid or made available for payment.

Section 2.03. Maturities; Interest Rates. (i) The Certificates shall mature on April 1 in each of the years set forth below, and shall represent the right to receive interest at the rates set forth below, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		

2042

20__*

20__*

* Term Certificates

Section 2.04. Form of Certificates; Interest. The Certificates shall be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof, except that no Certificate may have principal maturing in more than one year. The Certificates shall be assigned such alphabetical and numerical designation as shall be designated by the Trustee.

Interest represented by the Certificates shall be payable on each Payment Date to and including the date of maturity or prepayment, whichever is earlier, as provided in Section 2.09. Said interest shall represent the portion of Lease Payments designated as interest and coming due during the Rental Period preceding each Payment Date. The proportionate share of the portion of Lease Payments designated as interest represented by any Certificate shall be computed by multiplying the portion of Lease Payments designated as principal represented by such Certificate by the rate of interest applicable to such Certificate (on the basis of a 360-day year of twelve 30-day months).

Section 2.05. Form. The Certificates shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein.

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer of the Trustee. If any officer whose signature appears on any Certificate ceases to be such officer before the date of delivery of such Certificate, such signature shall nevertheless be as effective as if the officer had remained in office until such date. Any Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Certificate shall be the proper officer of the Trustee.

Section 2.07. Transfer and Exchange.

(a) **Transfer of Certificates.** The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate is or Certificates are surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same maturity and aggregate principal amount of the same series, in any authorized denominations. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer and exchange shall be paid by the City, except that the Trustee may require the payment by the Certificate Owner requesting

such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(b) Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and the same Series. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment pursuant to the provisions of Section 4.02.

Section 2.08. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate becomes mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the City.

If any Certificate is 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, if an indemnity satisfactory to the Trustee is given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Agreement with all other Certificates secured by this Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same.

Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate in exchange for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee.

Section 2.09. Payment. Payment of interest due with respect to any Certificate on any Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Record Date immediately preceding such Payment Date, such interest to be paid by check mailed to such Owner at his address as it appears on the Registration Books or at such other address as he may have filed with the Trustee for that purpose. The principal, interest and prepayment price represented by the Certificates at maturity or upon prior prepayment shall be payable in lawful money of the United States of America upon surrender at the Corporate Trust Office of the Trustee.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which shall be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of his holding the same shall be proved by the Registration Books.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.11. Registration Books. The Trustee shall keep or cause to be kept, at its Corporate Trust Office, sufficient records for the registration and registration of transfer of the Certificates, which shall at all times be open to inspection by the City and the Corporation during regular business hours and upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or

transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

Section 2.12. Use of Depository. Notwithstanding any provision of this Trust Agreement to the contrary:

(a) At the request of the Original Purchaser, each maturity of the Certificates shall be initially executed and delivered registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one Certificate maturing on each of the maturity dates set forth in Section 2.03 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the City, upon (i) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by the City that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the City that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the City and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of a City Representative to the Trustee, a single new Certificate shall be executed and delivered for each maturity of such Certificate then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of a City Representative. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee together with a written request of a City Representative, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in

a written request of the City provided the Trustee shall not be required to deliver such new Certificates within a period less than 60 days from the date of receipt of such a written request of a City Representative.

(c) In the case of partial redemption or an advance refunding of any Certificates evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the City's expense, deliver the Certificates to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The City and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the absolute Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City; and the City and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Certificates. Neither the City nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Certificate.

(e) So long as all outstanding Certificates are registered in the name of Cede & Co. or its registered assign, the City and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Certificates' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of Blanket Issuer Letter of Representations executed by the City and received and accepted by The Depository Trust Company.

ARTICLE III

DISPOSITION OF PROCEEDS COSTS OF ISSUANCE FUND AND PROJECT FUND

Section 3.01. Application of Proceeds. The proceeds received by the Trustee from the sale of the Certificates (\$_____), representing the purchase price of the Certificates, which was calculated as the principal component of the Certificates (\$_____), plus net original issue premium (\$_____), less underwriter's discount (\$_____), shall forthwith be set aside by the Trustee in the following respective funds and in the following order of priority:

- (a) the Trustee shall deposit an amount equal to \$_____ in the Costs of Issuance Fund;
- (b) the Trustee shall deposit an amount equal to \$_____ in the Capitalized Interest Account of the Lease Payment Fund; and
- (c) the Trustee shall deposit the balance (\$_____) to the Project Fund.

Section 3.02. Reserved.

Section 3.03. Costs of Issuance Fund. The Trustee shall establish a special fund designated as the "Costs of Issuance Fund"; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Costs of Issuance Fund the proceeds of the Certificates deposited therein pursuant to Sections 3.01, and any other funds from time to time deposited by the Trustee for such purpose. The moneys in the Costs of Issuance Fund shall be disbursed to pay the Costs of Issuance from time to time upon the receipt of Written Requests of the City setting forth the amounts to be disbursed for payment or reimbursement of Costs of Issuance and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund. Each such Written Request requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein, and the Trustee shall have no duty to confirm the accuracy of such facts. Any amounts remaining in the Costs of Issuance Fund on the date 60 days after the Closing Date shall be withdrawn therefrom by the Trustee and transferred to the Lease Payment Fund.

Section 3.04. Project Fund. The Trustee shall establish and maintain a separate fund to be known as the "Project Fund". There shall be deposited in the Project Fund the proceeds of the Certificates deposited therein pursuant to Section 3.01(c).

The Trustee shall disburse moneys in the Project Fund for the purpose of paying the Project Costs, upon receipt of a Requisition in substantially the form attached hereto as Exhibit B. Upon completion of acquisition and construction of the Project, which shall be determined by receipt

by the Trustee of a Certificate of Completion signed by the City, and following payment of all Project Costs, the Project Fund shall be closed, and any balance remaining therein shall be transferred to the Lease Payment Fund.

In making such payments, the Trustee may conclusively rely upon the representations made in the Requisition. If for any reason the City should decide prior to the payment of any item in said Requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or due performance of any contracts relating to the Project or for the use or application of money properly disbursed pursuant to requests made under this Section 3.04.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

Section 4.01. Prepayment.

(A) Optional Prepayment. The Certificates maturing on or before April 1, 20__, are not subject to optional prepayment prior to their respective stated maturities. The Certificates maturing on or after April 1, 20__, are subject to optional prepayment on any date on or after October 1, 20__, in whole or in part, from prepayments of the Lease Payments made at the option of the City pursuant to Section 10.2 of the Lease Agreement, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the prepayment date, without premium.

(B) Mandatory Sinking Fund Prepayments. The Certificates maturing on April 1, 20__, and April 1, 20__, are subject to mandatory sinking fund prepayment in part by lot on April 1 in each year on and after April 1, 20__, in the amounts and years set forth below, at the prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

\$_____ Term Certificates Maturing April 1, 20__

Sinking Fund Prepayment Date (April 1)	<u>Sinking Payments</u>
--	-------------------------

20__ (Maturity)

\$_____ Term Certificates Maturing April 1, 20__

Sinking Fund Prepayment Date (April 1)	<u>Sinking Payments</u>
--	-------------------------

20__ (Maturity)

(C) Prepayment From Net Proceeds of Insurance and Condemnation. The Certificates are also subject to prepayment on any date, in whole or in part, from the Net Proceeds of insurance or condemnation with respect to the Leased Property, which Net Proceeds are deposited in the Lease Payment Fund and credited towards the prepayment of the Lease Payments made by the City pursuant to Section 10.3 of the Lease Agreement, at a prepayment price equal to the principal amount of the Certificates to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Section 4.02. Selection of Certificates for Prepayment. Whenever provision is made in this Agreement for the prepayment of Certificates pursuant to Section 4.01(A) and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment, among maturities selected by the City, in integral multiples of \$5,000, and by lot within a maturity, in any manner deemed appropriate by the Trustee. Whenever provision is made in this Agreement for the prepayment of Certificates pursuant to Section 4.01(C), and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment, proportionately among maturities, in integral multiples of \$5,000, and by lot within a maturity, in any manner deemed appropriate by the Trustee. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for prepayment.

Section 4.03. Notice of Prepayment. When prepayment is authorized or required pursuant to Section 4.01, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) that the Certificates or a designated portion thereof are to be prepaid, (b) the date of prepayment, and (c) the place or places where the prepayment will be made. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest represented thereby shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail to the respective Owners of Certificates designated for prepayment at their addresses appearing on the Registration Books, at least 20 days but not more than 45 days prior to the prepayment date, which notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal thereof which is to be prepaid; provided that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

The notice of an optional prepayment may provide that the prepayment is conditioned upon receipt by the City of sufficient funds to pay the prepayment price on the proposed prepayment date, and the City may rescind any such optional prepayment notice by providing notice of rescission on or before the prepayment date in the same manner that the notice of

prepayment was provided. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment.

Section 4.04. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

Section 4.05. Effect of Notice of Prepayment. Notice having been given as aforesaid, and moneys for the prepayment (including the interest to the applicable date of prepayment and including any applicable premium), having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on said date of prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) with respect thereto, plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof has been given as aforesaid, then, from and after said date of prepayment, interest represented by said Certificates shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of this Article IV shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.01. Assignment of Rights in Lease Agreement. The Corporation has in the Assignment Agreement transferred, assigned and set over to the Trustee certain of its rights in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant hereto. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund (except as provided in Section 3.02).

Section 5.02. Establishment of Lease Payment Fund. The Trustee shall establish a special fund designated as the "Lease Payment Fund." Within the Lease Payment Fund the Trustee shall establish an account designated as the "Capitalized Interest Account."

All moneys at any time deposited by the Trustee in the Lease Payment Fund and the Capitalized Interest Account shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the City nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund, the Capitalized Interest Account or the moneys deposited therein, except only as provided in this Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee (except as provided in Section 3.02), including any moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to this Agreement, and including any other moneys required to be credited towards payment of the Lease Payments.

There shall be deposited in the Capitalized Interest Account the proceeds of the Certificates deposited therein pursuant to Section 3.01.

Section 5.04. Application of Moneys. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest and prepayment premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV.

On each Interest Payment Date through and including _____ 1, 20__, prior to making the foregoing payments, the Trustee shall transfer from the Capitalized Interest Account into the

Lease Payment Fund an amount equal to the amount of interest due and payment with respect to the Certificates on that Interest Payment Date. Any amounts remaining in the Capitalized Interest Account on _____ 1, 20__, shall be transferred to the Lease Payment Fund and the Trustee shall close the Capitalized Interest Account.

Section 5.05. Surplus. Any surplus remaining in the Lease Payment Fund, after prepayment and payment of all Certificates, including premiums and accrued interest (if any) and payment of any applicable fees to the Trustee or provision for such prepayment or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI

INSURANCE AND CONDEMNATION FUND; EMINENT DOMAIN

Section 6.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award. The provisions of this Section are subject to Section 4.02 of the Property Lease. Any Net Proceeds of insurance (other than rental interruption insurance) against accident to or destruction of any structure constituting any part of the Leased Property collected by the City in the event of any such accident or destruction shall be paid to the Trustee by the City pursuant to Section 6.2(a) of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund to be established and held by the Trustee, designated as the "Insurance and Condemnation Fund".

If the City determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, and applied to the prepayment of Lease Payments pursuant to Section 4.01(C); provided, that such transfer shall only be made if the amount transferred is sufficient to prepay the principal amount of Certificates attributable to the portion of the Leased Property damaged or destroyed, determined on the basis of the ratio resulting from dividing the fair market value of the portion of the Leased Property so damaged or destroyed by the fair market value of the Leased Property, and only if the remaining unpaid Lease Payments represent fair consideration for the remaining portion of the Leased Property.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of Written Requests of the City stating with respect to each payment to be made (i) the name and address of the person, firm or corporation to whom payment is due, (ii) the amount to be paid and (iii) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. Each such Written Request requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein, and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the Net Proceeds remaining after such work has been completed (as evidenced by a Certificate of the City to the Trustee) shall be paid to the City. The preceding sentence notwithstanding, before the remaining Net Proceeds are paid to the City by the Trustee, the City shall deliver to the Trustee a certificate stating that the Leased Property has been replaced, repaired, restored, modified or improved with the Net Proceeds to a fair market value not less

than the aggregate principal components of the unpaid lease Payments, and that the City has full use, occupancy and enjoyment of the Leased Property.

Section 6.02. Application of Net Proceeds of Eminent Domain Award. The provisions of this Section are subject to Section 4.02 of the Property Lease. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(b) of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If all of the Leased Property (or portions thereof such that the remainder is not useable for essential public purposes of the City) has been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, or if the City has given written notice to the Trustee of its determination that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the accounts within the Lease Payment Fund to be credited towards the prepayments of the Lease Payments required to be paid pursuant to Section 6.2(b) of the Lease Agreement and applied to the prepayment of Certificates in the manner provided in Section 4.01(C).

(b) If less than all of the Leased Property has been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers and the remainder is useable for essential public purposes of the City, and if the City has given written notice to the Trustee of its determination that such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of Written Requests of the City in the form and containing the provisions set forth in Section 6.01.

Section 6.03. Cooperation. The Corporation and the Trustee shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease Agreement and, to the extent indemnified to its satisfaction from any liability or expense related thereto, in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property or any portion thereof.

ARTICLE VII

MONEYS IN FUNDS

Section 7.01. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the Certificates, and for the purposes herein specified, and such moneys shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the City, (ii) the Trustee, (iii) the Corporation or (iv) the Owner of Certificates.

Section 7.02. Investments Authorized. All moneys in any of the funds established pursuant to this Trust Agreement shall be invested by the Trustee, upon Written Request of the City, solely in Investment Securities which mature or will be otherwise available for the purposes of the fund from which such moneys are being invested. In the absence of any Written Request of the City directing investments, the Trustee shall invest in Investment Securities described in (f) of the definition thereof; provided, further, that as long as the Trustee is U.S. Bank Trust Company, National Association, the Trustee shall invest such money in the money market fund set forth in the letter of authorization and direction executed by the City and delivered to the Trustee. If no specific money market fund has been specified by the City, the Trustee shall make a request to the City for investment directions. Such moneys shall be held in cash, uninvested, until specific investment directions are provided by the City to the Trustee.

Investment Securities shall be purchased at Fair Market Value, provided the Trustee shall not be responsible to determine Fair Market Value. Moneys in all funds shall be invested in Investment Securities maturing not later than five years from the date said investment is made.

Section 7.03. Accounting. The Trustee shall furnish to the City, not less than monthly, an accounting (which may be in the form of the Trustee's regular statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 7.02.

Section 7.04. Allocation of Earnings. Any income, profit or loss on such investments in any of the funds shall be deposited in or charged to the respective funds from which such investments were made.

Section 7.05. Valuation of Investments. In computing the amount in any fund or account, Investment Securities shall be valued at the market price thereof. Valuation shall occur annually, prior to the adoption of the City's budget.

Section 7.06. Commingling of Investment Securities and Disposition of Investments. Investments in all funds may be commingled for purposes of making, holding or disposing of investments, notwithstanding provisions herein for transfer to or holding in particular funds amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times

account for such investments strictly in accordance with the funds to which they are credited and otherwise as provided in this Trust Agreement. The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment.

The Trustee may sell, or present for prepayment, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Investment Securities is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Section 7.06.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City will not receive such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Section 7.07. Acquisition, Disposition and Valuation of Investments. Except as otherwise provided in the following sentence, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

Section 7.08. Federal Tax Law Covenants.

(a) Generally. The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest represented by the Certificates to become includable in gross income for federal income tax purposes.

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

(c) Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

(d) Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings to the federal government.

(e) No Arbitrage. The City will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates to be "arbitrage bonds" within the meaning of section 148 of the Code.

(f) Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the Certificates for at least 3 years after the Certificates mature or are prepaid (whichever is earlier); however, if the Certificates are prepaid and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or prepayment of the obligations that refunded the Certificates.

(g) Compliance with Tax Certificates. The City and the Corporation will comply with the provisions of the Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds with respect to the Certificates, which are incorporated herein as if fully set forth herein.

(h) Bank Qualification. The City hereby designates the Lease Agreement for purposes of paragraph (3) of section 265(b) of the Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except qualified 501(c)(3) bonds as defined in section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Lease Agreement, has been or will be issued by the City, including all subordinate entities of the City, during the calendar year 2023.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Compensation of the Trustee. The City shall from time to time, as agreed upon between the City and the Trustee, pay to the Trustee reasonable compensation for its services, and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder.

Section 8.02. Removal of Trustee. The City and the Corporation may by written agreement between themselves, or the Owners of a majority in aggregate principal amount of all Certificates Outstanding may by written request, at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto. Any such successor shall be a bank, national banking association, corporation or trust company in good standing, duly authorized to exercise trust powers and subject to examination by federal or State authority having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000. If such bank, national banking association, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank, national banking association, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

The Trustee may at any time resign by giving written notice to the City and the Corporation and by giving to the Certificate Owners notice by mailing such notice to the registered owners of the Certificates. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the City shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to Section 2.11.

Section 8.03. Appointment of Agent. The Trustee may appoint an agent to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

Section 8.04. 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 that such company shall be eligible under Section 8.02) shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.05. Protection and Rights of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the Corporation, 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 in accordance therewith.

Whenever in the administration of its duties under this Trust Agreement, 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), shall be deemed to be conclusively proved and established by the certificate of the City Representative or the Corporation Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, 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.

The Trustee may become the Owner of the Certificates with the same rights it would have if it were not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a 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 of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

The recitals, statements and representations by the City and the Corporation contained in this Trust Agreement or in the Certificates shall be taken and construed as made by and on the part of the City and the Corporation, as the case may be, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not

be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own negligence or willful misconduct.

The Trustee shall be responsible to perform only those duties specifically set forth herein and no implied duties or obligations shall be read into this Trust Agreement against the Trustee.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

The Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless it shall have actual knowledge at its Corporate Trust Office.

No provision of this Trust Agreement or any other document related hereto shall require the Trustee to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder.

Before taking any action under Article XII or this Article hereof the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

Every provision of this Trust Agreement, the Lease Agreement, the Property Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article.

In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners, the City and the Corporation, having any claim against the Trustee shall look only to the

funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

The Trustee makes no representation or warranty, 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 or the Corporation of the project or any portion thereof, or any other representation or warranty with respect to the Property or any portion thereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with this Trust Agreement, the Lease Agreement or the Property Lease or the existence, furnishing or functioning of the Property or the City's use of the Leased Property.

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

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Certificates.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

ARTICLE IX

MODIFICATION OR AMENDMENT OF AGREEMENT

Section 9.01. Amendments Permitted.

(a) Modification with Owner Consent. This Agreement and the rights and obligations of the parties hereto and the Lease Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Owners of at least 60% in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.03, shall have been filed with the Trustee. No such modification or amendment shall

(1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or

(2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease Agreement, or

(3) modify any of the rights or obligations of the Trustee without its written assent thereto.

Any such supplemental agreement shall become effective as provided in Section 9.02.

(b) Modification Without Owner Consent. This Agreement and the rights and obligations of the parties hereto and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only

(1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the City,

(2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein so long as such modification or amendment is not inconsistent with any other provision contained herein,

(3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Certificates,

(4) to correct any incorrect property description or

(5) to make such additions, deletions or modifications as may be necessary to assure compliance with section 148(f) of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exemption from federal income taxation of the interest component of the Lease Payments.

The Trustee may in its discretion, but shall not be obligated to, enter into any such supplemental agreement authorized by this Section which affects the Trustee's own rights, duties or immunities under this Trust Agreement. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 9.02. Procedure for Amendment with Written Consent of Certificate Owners. This Agreement and the Lease Agreement may be amended by supplemental agreement as provided in this Section in the event the consent of the Owners of the Certificates is required pursuant to Section 9.01(a). A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trustee to each Owner of a Certificate at his address as set forth on the Registration Books, but failure to receive copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of at least 60% in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 9.03) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.10. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to receive copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively

binding upon the parties hereto and the Owners of all Certificates at the expiration of 60 days after such mailing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 9.03. Disqualified Certificates. Certificates owned or held by or for the account of the City or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with the City (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Agreement. Upon request of the Trustee, the City shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section, and the Trustee may conclusively rely on such certificate.

Section 9.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article IX, this Agreement or the Lease Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Agreement or the Lease Agreement, as the case may be, for any and all purposes.

The Trustee may require each Certificate Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal whether the Certificates as to which such consent is given are disqualified as provided in Section 9.03.

Section 9.05. Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee or the City may determine that Certificates delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the Corporate Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee or the City may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, which substitute Certificates shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Corporate Trust Office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

Section 9.06. Amendatory Endorsement of Certificates. The provisions of this Article shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by such Certificate Owner, provided that proper notation thereof is made on such Certificates.

ARTICLE X

COVENANTS; NOTICES

Section 10.01. Compliance With and Enforcement of Lease Agreement. The City covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The City 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 an event of default under or a ground for cancellation or termination of the Lease Agreement. The Corporation and the City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Leased Property, which may or can in any manner affect such estate of the City, will deliver the same, or a copy thereof, to the Trustee.

Section 10.02. Prosecution and Defense of Suits. The Corporation and the City shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 10.03. Recordation and Filing. The City shall record and file the Lease Agreement, the Assignment Agreement and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

Section 10.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Trust Agreement, failure of the City to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default; *provided, however*, that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Certificates may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

Section 10.05. Further Assurances. The Corporation and the City 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 Agreement and the Lease Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

ARTICLE XI

LIMITATION OF LIABILITY

Section 11.01. Limited Liability of City. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the City contained in the Lease Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Section 11.02. No Liability for Trustee Performance. Neither the City nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement, except where the City or the Corporation, as the case may be, has given specific direction to the Trustee to take certain actions.

Section 11.03. Indemnification. The Corporation and the City agree, to the extent permitted by law, to indemnify and save the Trustee harmless from and against all claims, suits, losses, expenses, liabilities, and actions, including legal fees and expenses brought against it, or to which it is made a party, and from all losses and damages suffered by it as a result thereof, including where and to the extent such claim, suit or action arises out of the actions of any other party to this Agreement, including but not limited to (a) the ownership, operation or use of the Leased Property by the City or (b) the Trustee's acceptance or administration of the trust under the Trust Agreement, or the exercise or performance of any of its powers or duties hereunder, but excluding liabilities which are due to the negligence or willful misconduct of the Trustee. Such indemnity shall survive the satisfaction and discharge of this Trust Agreement or resignation or removal of the Trustee. In the event the Corporation or the City is required to indemnify the Trustee as herein provided, the Corporation or the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 11.04. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be protected in relying thereon.

Section 11.05. Limitation of Rights to Parties and Certificate Owners. Nothing in this Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Corporation, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and

shall be for the sole and exclusive benefit of the City, the Corporation, the Trustee and said Owners.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 12.01. Assignment of Rights. Pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee all of the Corporation's rights in and to the Lease Agreement (excepting only the Corporation's rights under Sections 5.7, 7.3 and 9.4 thereof), including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Section 12.02. Remedies. If an Event of Default happens, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon request of the Owners as provided in Article IX of the Lease Agreement shall, upon being indemnified to its satisfaction exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything herein or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Section 12.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XII or Article IX of the Lease Agreement shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the costs and expenses of the Trustee incurred in and about the performance of its powers and duties under this Trust Agreement, then, the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest, (provided that such interest on overdue installments shall be paid only to the extent funds are available therefor following payment of interest on overdue principal, as aforesaid, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 12.04. Institution of Legal Proceedings. If one or more Events of Default happens and are continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 12.05. Non-waiver. Nothing in this Article or in any other provision of this Agreement or in the Certificates, shall affect or impair the obligation of the City to pay or prepay the Lease Payments in accordance with and subject to the terms and provisions of the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 12.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 12.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the written direction of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity.

Section 12.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Agreement, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least 25% in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners have

tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Agreement.

ARTICLE XIII

DEFEASANCE

Section 13.01. Discharge of Trust Agreement. The Certificates may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

- (a) by paying or causing to be paid the Principal Amount relating to the Certificates, together with interest thereon, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 13.03) to pay or prepay all Certificates then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Certificates then Outstanding.

If the City also pays or causes to be paid all other sums payable by the City hereunder, then and in that case, at the election of the City (evidenced by a Written Request of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and this Trust Agreement), and notwithstanding that any Certificates have not been surrendered for payment, this Trust Agreement and the pledge of Lease Payments and other assets made under this Trust Agreement and all covenants, agreements and other obligations of the City under this Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to this Trust Agreement which are not required for the payment or prepayment of Certificates not theretofore surrendered for such payment or prepayment to the City.

Section 13.02. Discharge of Liability on Certificates. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 13.03) to pay or prepay any Outstanding Certificates (whether upon or prior to their respective maturities or the prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment has been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the City in respect of such Certificates shall cease, terminate and be completely discharged, and the Owner thereof shall thereafter be entitled only to payment out of such money

or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 13.04.

The City may at any time surrender to the Trustee for cancellation by it any Certificates previously executed and delivered, which the City may have acquired in any manner whatsoever, and such Certificates, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 13.03. Deposit of Money or Securities with Trustee. Whenever in this Trust Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Certificates, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds established pursuant to this Trust Agreement and shall be--

(a) lawful money of the United States of America in an amount equal to the principal amount of such Certificates and all unpaid interest thereon to maturity, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment has been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Certificates and all unpaid interest thereon to the prepayment date; or

(b) Defeasance Obligations (as defined below), the principal of and interest on which when due will provide money sufficient in the opinion of a certified public accountant to pay the principal of and all unpaid interest to maturity, or to the prepayment date, as the case may be, on the Certificates to be paid or prepaid, as such principal and interest become due, provided that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment has been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Trust Agreement or by Written Request of the City) to apply such money to the payment of such principal and interest with respect to such Certificates.

For purposes of this Section, "Defeasance Obligations" shall mean Federal Securities, as herein defined.

Section 13.04. Payment of Certificates After Discharge of Trust Agreement. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trustee in trust for the payment of the Principal Amount relating to any Certificates, together with interest thereon and remaining unclaimed for two years after the Principal Amount relating to all of the Certificates has become due and payable (whether at maturity or upon call for prepayment as provided in this Trust Agreement), if such moneys were so held at such date, or two years after the date of deposit

of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the City free from the trusts created by this Trust Agreement and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost of the City) first mail to the Owners of Certificates which have not yet been paid, at the addresses shown on the Registration Books a notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by the City, the Corporation, and any Owner, or the agent of any of them, at any time during regular business hours, upon reasonable prior notice.

Section 14.02. Notices. All written notices to be given under this Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon receipt after deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City:

City of Hidden Hills
6165 Spring Valley Road
Hidden Hills, CA 91302
Attention: City Manager

If to the Corporation:

Public Property Financing Corporation of
California
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attention: President

If to the Trustee:

U.S. Bank Trust Company, National Association
633 West 5th Street
Los Angeles, CA 90071
Attention: Corporate Trust Services

The Corporation, the City and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 14.03. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.04. Binding Effect; Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Agreement either the Corporation, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Corporation, the City or the

Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.05. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 14.06. Destruction of Cancelled Certificates. Whenever in this Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Certificates, the Trustee, in lieu of such cancellation and delivery, shall destroy such Certificates and deliver a certificate of such destruction to the City.

Section 14.07. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Articles", "Sections", and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 14.08. Waiver of Notice. Whenever in this Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 14.09. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By: _____
Treasurer

CITY OF HIDDEN HILLS

By: _____
Mayor

Attest:

By: _____
City Clerk

EXHIBIT A

(FORM OF 2023 CERTIFICATE OF PARTICIPATION)

**CITY OF HIDDEN HILLS
2023 CERTIFICATE OF PARTICIPATION
(Broadband Financing Project)**

**Evidencing the Undivided Fractional Interest of the Owner
Hereof in Lease Payments to be Made by the**

CITY OF HIDDEN HILLS, CALIFORNIA

**As Rental For Certain Property Pursuant
to a Lease Agreement With the**

Public Property Financing Corporation of California

DATED DATE: _____, 2023 RATE OF INTEREST: MATURITY DATE: CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of an undivided fractional interest in Lease Payments under the Lease Agreement dated as of September 1, 2023, by and between the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly formed and acting under the laws of the State of California (the "Corporation"), and the City of Hidden Hills, a general law city and municipal corporation and political subdivision duly organized and existing under the Constitution and the laws of the State of California the ("City") (the "Lease Agreement") which Lease Payments and certain other rights and interests under the Lease Agreement have been assigned to U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), having a corporate trust office in San Francisco, California, or such other place designated by the Trustee (the "Corporate Trust Office") .

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease Agreement, on the Maturity Date identified above, the Principal Amount identified above, representing a portion of the Lease Payments designated as principal, and to receive on October 1, 2023 and semiannually thereafter on April 1 and October 1 of each year (the "Payment Dates") until payment in full of said principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due during the interest period immediately preceding each of the Payment Dates; provided that interest with respect hereto shall be payable from the Payment Date next preceding the date of execution of this Certificate unless (i) this Certificate is executed on a Payment Date, in which event interest shall be payable from such Payment Date, or (ii) this Certificate is executed after the close of business on the 15th day of the month immediately preceding a Payment Date and prior to such Payment Date, in which event interest shall be payable from such Payment Date, or (iii) unless this Certificate is executed on or before September 15, 2023, in which event interest shall be payable from the Dated Date. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the Rate of Interest per annum identified above. Said amounts are payable in lawful money of the United States of America in the case of principal and interest at maturity upon presentation hereof at the Corporate Trust Office of the Trustee, and in the case of interest prior to maturity by check or draft mailed on the applicable Payment Dates by the Trustee to the Registered Owner hereof at the address as it appears on the registration books of the Trustee.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement by and among the Trustee, the Corporation and the City, dated as of September 1, 2023 (the "Trust Agreement"). The City has certified that it is authorized to enter into the Lease Agreement and the Trust Agreement under the constitution and laws of the State of California, for the purpose of leasing certain public improvements from the Corporation. Reference is hereby made to the Lease Agreement and the Trust Agreement (copies of which are on file at the Corporate Trust Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Lease Agreement, to all of the provisions of the Lease Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The City is obligated under the Lease Agreement to pay Lease Payments from any source of available funds. The obligation of the City to pay the Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt of the City, the State of California or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of at least 60% in aggregate principal amount of the Certificates then

outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall adversely affect the interests of the owners of the Certificates or shall impair the right of any owner to receive in any case such owner's proportionate share of any Lease Payment in accordance with such owner's Certificate.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations and of the same maturity, for the same aggregate principal amount will be executed and delivered to the transferee in exchange herefor. The City, the Corporation and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate is overdue, and the City, the Corporation and the Trustee shall not be affected by any notice to the contrary.

The Certificates maturing on or before April 1, 20__, are not subject to optional prepayment prior to their stated maturity. The Certificates maturing on or after April 1, 20__, are subject to optional prepayment on any date on or after April 1, 20__, in whole or in part, from prepayments of the Lease Payments made at the option of the City pursuant to the Lease Agreement, at a prepayment price equal to the principal amount thereof to be prepaid together with accrued interest to the prepayment date, without premium.

The Certificates maturing on April 1, 20__, and April 1, 20__, are subject to mandatory sinking fund prepayment in part by lot on April 1 in each year on and after April 1, 20__, in the amounts and years set forth below, at the prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment.

\$_____ Term Certificates Maturing April 1, 20__

Sinking Fund Prepayment Date (April 1)	<u>Sinking Payments</u>
--	-------------------------

20__ (Maturity)

\$_____ Term Certificates Maturing April 1, 20__

Sinking Fund
Prepayment Date
(April 1) Sinking Payments

20__ (Maturity)

The Certificates are subject to prepayment on any Payment Date in whole, or in part, proportionately among maturities and by lot within a maturity, from the Net Proceeds (as defined in the Trust Agreement) of insurance or condemnation with respect to the Leased Property (as defined in the Lease Agreement), which Net Proceeds are deposited in the Lease Payment Fund and credited towards the prepayment of the Lease Payments made by the City pursuant to the Lease Agreement, at a prepayment price equal to the principal amount thereof to be prepaid together with accrued interest to the date fixed for prepayment, without premium.

As provided in the Trust Agreement, notice of prepayment shall be mailed, not less than 20 nor more than 45 days before the prepayment date, to the registered owner of the Certificate to be prepaid, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment. Any such notice may be conditional upon receipt of sufficient funds for the prepayment and may be rescinded.

If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the registered owners for the payment of the interest or principal or the prepayment premiums, if any, represented by the Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the City and the Certificate registered owners, the various funds established under the Trust Agreement.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Certificate 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.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by U.S. Bank Trust Company, National Association, as trustee, acting pursuant to the Trust Agreement.

Execution Date: _____, 2023

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Trustee

By: _____
Authorized Officer

(FORM OF ASSIGNMENT)

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

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

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

Dated:

Signature Guaranteed:

NOTICE: 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.

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

EXHIBIT B

FORM OF PROJECT FUND REQUISITION

DISBURSEMENT REQUEST NO.: _____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

Re: City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project)

Ladies and Gentlemen:

In accordance with the terms of a Trust Agreement by and among the Public Property Financing Corporation of California, U.S. Bank Trust Company, National Association, and the City of Hidden Hills, dated as of September 1, 2023 (the "Trust Agreement"), I am a City Representative of the City of Hidden Hills, and you are hereby authorized and requested to make immediate disbursement of funds held by you in the Project Fund for Project Costs relating to the Project (as such terms are defined in the Trust Agreement) pursuant to Section 3.04 of the Trust Agreement.

You are hereby requested to pay from the Project Fund, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the Project Costs described on said Schedule. Supporting documentation for the listed Project Costs are attached hereto.

The undersigned hereby certifies that (i) the amounts listed on Schedule A constitute Project Costs (as defined in the Trust Agreement), (ii) no part of the amount requested herein has been included in any other request previously filed with you; (iii) to the knowledge of the undersigned, there has not been filed with or served upon the City any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iv) the labor, services and/or materials covered hereby have been performed upon or furnished to the Project and the payment requested herein is due and payable under a purchase order, contract or other authorization;

Dated: _____, 20__.

CITY OF HIDDEN HILLS

By: _____
Mayor

By: _____
City Manager

SCHEDULE A

<u>Payee</u> <u>(include address)</u>	<u>Description</u> <u>of Costs</u>	<u>Project Costs</u> <u>Amount</u>	<u>Amount</u>
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**NEW ISSUE - BOOK-ENTRY ONLY
BANK QUALIFIED**

ATTACHMENT 4

**RATING: S&P: “__”
See “RATING”**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The portion of Lease Payments designated and comprising interest may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *
**CITY OF HIDDEN HILLS
2023 Certificates of Participation
(Broadband Financing Project)**

Dated: Date of Delivery

Due: April 1, as shown on inside cover

Authority for Execution and Delivery. The 2023 Certificates of Participation (the “Certificates”) are being executed and delivered under a Trust Agreement dated as of September 1, 2023 (the “Trust Agreement”), among the City of Hidden Hills (the “City”), the Public Property Financing Corporation of California (the “Corporation”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). See “THE CERTIFICATES – Authority for Execution and Delivery.”

Purpose. The Certificates are being executed and delivered to (i) finance the design and construction of a network to provide City-wide fiber optic broadband internet service, (ii) fund capitalized interest on the Certificates through _____, and (iii) pay certain costs of executing and delivering the Certificates. See “PLAN OF FINANCING.”

Security for the Certificates. The Certificates evidence and represent direct, undivided fractional interests in certain payments (the “Lease Payments”) to be made by the City pursuant to a Lease Agreement dated as of September 1, 2023 (the “Lease Agreement”), between the City and the Corporation, under which the Corporation will lease certain real property to the City in consideration of the payment by the City of the Lease Payments. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Lease Payments to the Trustee. See “SECURITY FOR THE CERTIFICATES.”

Terms of the Certificates. The Certificates will be executed and delivered in denominations of \$5,000 principal amount or integral multiples thereof. Interest with respect to the Certificates accrues from their date of delivery and is payable semiannually on April 1 and October 1, commencing October 1, 2023. See “THE CERTIFICATES – General Certificate Terms.”

Book-Entry Only. The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“DTC”), New York, New York. Purchasers will not receive physical certificates representing their interest in the Certificates. The principal and premium (if any) on and interest with respect to the Certificates will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates. See “THE CERTIFICATES – Book-Entry System.”

Prepayment. The Certificates are subject to optional prepayment, extraordinary mandatory prepayment from the net proceeds of insurance or condemnation proceedings, and mandatory sinking fund prepayment prior to their scheduled payment dates. See “THE CERTIFICATES – Prepayment of the Certificates.”

This cover page contains information for general reference only, and is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled “RISK FACTORS,” for a discussion of special factors that should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates.

MATURITY SCHEDULE

See inside front cover

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The Certificates are offered when, as and if sold and executed and delivered, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by _____. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC on or about _____, 2023.

[Underwriter Logo]

The date of this Official Statement is _____, 2023.

* Preliminary; subject to change.

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 be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful.

MATURITY SCHEDULES*

(Base CUSIP†: _____)

\$ _____
CITY OF HIDDEN HILLS
2023 Certificates of Participation
(Broadband Financing Project)

\$ _____ Serial Certificates

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
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\$ _____ % Term Certificates Due April 1, 20____; Price: ____; Yield: ____%; CUSIP†: _____

* Preliminary; subject to change.

† CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the City nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

CITY OF HIDDEN HILLS, CALIFORNIA

City Council

Steve Freedland, *Mayor*
Eniko Gold, *Mayor Pro Tem*
Larry G. Weber, *Council Member*
Laura McCorkindale, *Council Member*
Joe Loggia, *Council Member*

City Officials

Kerry Kallman, *City Manager*
Deana L. Gonzalez, *City Clerk*
Theresa Hernandez, *Accounting Specialist*

Special Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Trustee

U.S. Bank Trust Company, National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Certificates.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter 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 any of the foregoing. 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 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Limited Scope of Information. The City has obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. 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 City or any other parties described in this Official Statement since the date hereof.

All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given them in APPENDIX B.

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

Stabilization of Prices. In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

NO REGISTRATION. THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

City Internet Site. The City maintains a website, but the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

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OFFICIAL STATEMENT

\$ _____ *

CITY OF HIDDEN HILLS
2023 Certificates of Participation
(Broadband Financing Project)

The purpose of this Official Statement (which includes the cover page and the attached appendices) is to provide information concerning the execution and delivery of the City of Hidden Hills 2023 Certificates of Participation (Broadband Financing Project) (the “**Certificates**”), evidencing and representing direct, undivided fractional interests of the registered owners thereof in certain semiannual lease payments (the “**Lease Payments**”) to be made by the City of Hidden Hills (the “**City**”) to the Public Property Financing Corporation of California (the “**Corporation**”) under the Lease Agreement described below.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in APPENDIX B.

INTRODUCTION

The City. The City is a general law city with a council-manager form of government, which was incorporated on October 19, 1961. It comprises approximately 1.7 square miles and is located in the Santa Monica mountains area of western Los Angeles County (the “County”), approximately 29 miles west-northwest of the City of Los Angeles.

For selected financial, economic and demographic information about the City, see “APPENDIX A – City of Hidden Hills General Financial and Demographic Information.”

The City’s audited financial statements for the fiscal year ended June 30, 2022, are attached as APPENDIX C.

Authority for Execution and Delivery. The Certificates are being executed and delivered under a Trust Agreement dated as of September 1, 2023 (the “**Trust Agreement**”), among the City, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

Purpose of the Certificates.

The Certificates are being executed and delivered to:

- (i) finance the design and construction of a network to provide City-wide fiber optic broadband internet service (the “**Project**”);
- (ii) fund capitalized interest on the Certificates through _____; and
- (iii) pay certain costs of executing and delivering the Certificates.

See “PLAN OF FINANCING.”

Security for the Certificates. In order to provide funds to finance the Project, the Corporation and the City have entered into a Property Lease dated as of September 1, 2023 (the “**Property Lease**”), pursuant to which the City will lease certain real property and the improvements thereon (the “**Leased Property**”) to the Corporation, and the Corporation and the City have entered into a Lease Agreement dated as of September 1, 2023 (the “**Lease Agreement**”), under which the Corporation will lease the Leased Property back to the City in consideration of the payment by the City of semiannual lease payments (the “**Lease Payments**”). See “THE LEASED PROPERTY” for a description of the Leased Property.

The Corporation will assign its right to receive the Lease Payments to the Trustee under an Assignment Agreement dated as of September 1, 2023 (the “**Assignment Agreement**”), between the Corporation and the Trustee, in consideration for which the Trustee has agreed to execute and deliver the Certificates. The Certificates evidence and represent direct, undivided fractional interests of the Certificate Owners in the Lease Payments. See “SECURITY FOR THE CERTIFICATES.”

Funds for the Lease Payments. The Lease Payments are payable from any source of available moneys of the City. Subject to provisions of the Lease Agreement providing for abatement of the Lease Payments in certain circumstances (see “–Abatement” below), the City covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in each of its budgets during the term of the Lease Agreement and to make the necessary annual appropriations for the Lease Payments.

Prepayment. The Certificates are subject to optional prepayment, extraordinary mandatory prepayment from the net proceeds of insurance or condemnation proceedings, and mandatory sinking fund prepayment prior to their scheduled payment dates. See “THE CERTIFICATES – Prepayment of the Certificates.”

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease Agreement, the Certificate Owners would receive less than the full amount of principal of and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See “SECURITY FOR THE CERTIFICATES – Abatement” and “RISK FACTORS – Abatement.”

Legal Opinions. Upon delivery of the Certificates, Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel (“**Special Counsel**”) will release its final approving legal opinions with respect to the Certificates, regarding the validity and tax-exempt status of the Certificates, in the form attached hereto as APPENDIX D.

Risk Factors. The Certificates are payable only from Lease Payments made by the City to the Corporation and assigned to the Trustee under the Trust Agreement. For a discussion of some of the risks associated with the purchase of the Certificates, see “RISK FACTORS.”

Limited Obligations. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Bank Qualification. The City and the Corporation have designated the Certificates as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”), which provides an exception to the prohibition against the ability of a “financial institution” (as defined in the Code) to deduct its interest expense allocable to interest payable on the Certificates. See “BANK QUALIFICATION.”

THE CERTIFICATES

This section provides summaries of the Certificates and certain provisions of the Trust Agreement. See “APPENDIX B – Summary of Principal Legal Documents” for a more complete summary of the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Authority for Execution and Delivery

The Certificates are being executed and delivered under the Trust Agreement, a resolution of the City Council adopted on _____, 2023 (the “**Resolution of Issuance**”), and a resolution of the Board of Directors of the Corporation adopted on _____, 2023 (the “**Corporation Resolution**”). Under these resolutions, the Certificates may be executed and delivered in a maximum principal amount of \$_____.

General Certificate Terms

Certificate Terms. The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Certificates will be executed and delivered in fully registered form without coupons in denominations of \$5,000 principal amount or any integral multiple of \$5,000, except that no Certificate will represent principal payable in more than one year.

Interest with respect to the Certificates accrues from their date of delivery and is payable semiannually on April 1 and October 1, commencing October 1, 2023 (each, a “**Payment Date**”).

Book-Entry Only System. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments with respect to the Certificates will be made directly to DTC, and disbursement of such payments to the participants in DTC’s book-entry system (“**DTC Participants**”) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described hereinafter. See “– Book-Entry System” below.

Calculation of Interest. Interest represented by each Certificate will be payable from the Payment Date next preceding the date of execution thereof, unless:

- (a) it is executed as of a Payment Date, in which event interest with respect thereto shall be payable from such Payment Date,
- (b) it is executed after a Record Date and before the following Payment Date, in which event interest with respect thereto shall be payable from such Payment Date, or
- (c) it is executed on or before September 15, 2023, in which event interest with respect thereto shall be payable from the Closing Date;

provided, however, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented by such Certificate shall be payable from the Payment Date to which interest represented thereby has previously been paid or made available for payment. Interest represented by the Certificates is payable on each Payment Date to and including the date of maturity or prepayment, whichever is earlier.

Such interest represents the portion of Lease Payments designated as interest and coming due on each of the respective Payment Dates. The share of the portion of Lease Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Lease Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year consisting of twelve 30-day months).

Record Date. The Trust Agreement defines the “Record Date” with respect to the Certificates as the close of business on the 15th calendar day of the month preceding each Payment Date, whether or not such 15th calendar day is a Business Day.

Payments of Interest and Principal. Payment of interest represented by any Certificate on any Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Payment Date, such interest to be paid by check mailed on the applicable Payment Date to such Owner, by first class mail postage prepaid, at such Owner’s address as it appears on the Registration Books.

The principal, interest, and prepayment premium, if any, represented by any Certificate at maturity or upon prepayment are payable in lawful money of the United States of America upon surrender of such Certificate at the Corporate Trust Office.

Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, premium (if any) of, and interest with respect to, the Certificates will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners. See “APPENDIX F – BOOK-ENTRY PROVISIONS.”

Prepayment of the Certificates*

Optional Prepayment. The Certificates maturing on or before April 1, 20____, are not subject to optional prepayment before their respective stated maturities.

The Certificates maturing on or after April 1, 20____, are subject to optional prepayment in whole at any time or in part on any date, on or after October 1, 20____, at a prepayment price equal to the principal amount thereof and accrued interest to the date fixed for prepayment, without premium, from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the prepayment date, without premium.

Extraordinary Mandatory Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole on any date or

* Preliminary; subject to change.

in part on any date, from the Net Proceeds of an insurance, title insurance, condemnation, or eminent domain award to the extent credited towards the prepayment of the Lease Payments by the City pursuant to the Lease Agreement, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The Certificates maturing on April 1, 20__ (the “**Term Certificates**”), are subject to mandatory prepayment in part by lot on April 1 in each year on and after April 1, 20__, from the principal components of scheduled Lease Payments required to be paid by the City pursuant to the Lease Agreement with respect to each such prepayment date, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, as follows:

Sinking Fund Prepayment Date <u>(April 1)</u>	Principal Amount <u>To Be Prepaid</u>
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(Maturity)

Selection of Certificates for Prepayment. Whenever less than all Outstanding Certificates are called for prepayment, the Trustee will select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment, among maturities selected by the City, in integral multiples of \$5,000, and by lot within a maturity, in any manner deemed appropriate by the Trustee. Whenever provision is made pursuant to “- Extraordinary Mandatory Prepayment From Net Proceeds of Insurance or Condemnation” above, and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment, proportionately among maturities, in integral multiples of \$5,000, and by lot within a maturity, in any manner deemed appropriate by the Trustee. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for prepayment.

Notice of Prepayment. While the Certificates are subject to DTC’s book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and DTC Participants will have sole responsibility for providing any such notice of prepayment to the beneficial owners of the Certificates to be prepaid. Any failure of DTC to notify any Participant, or any failure of DTC Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content will not affect the sufficiency of the proceedings for the prepayment of such Certificates.

During any period in which the Certificates are not subject to the book-entry system, notice of prepayment of any Certificates to be prepaid will be given to the respective Owners of Certificates designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the registration books of the Trustee at least 20 but not more than 45 days prior to the prepayment date. Such notice must also be given to each of certain specified securities depositories and to certain other specified services. Neither failure to receive a prepayment

notice nor any defect in the notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates.

However, while the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and DTC Participants will have sole responsibility for providing any such prepayment notice to the beneficial owners of the Certificates to be prepaid. Any failure of DTC to notify any Participant, or any failure of DTC Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect, will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Agreement.

Rescission of Prepayment. The City has the right to rescind any notice of the optional prepayment of Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of prepayment.

The Trustee will mail notice of such rescission of prepayment to the respective Owners of the Certificates designated for prepayment at their respective addresses appearing on the Registration Books, and to the Securities Depositories and the Municipal Securities Rulemaking Board.

Effect of Notice of Prepayment. If moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates have been set aside in the Lease Payment Fund, the Certificates will become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, those Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to the date of prepayment.

If, on the date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to the date of prepayment, are held by the Trustee so as to be available therefor on such date of prepayment, then, from and after the date of prepayment, interest represented by the Certificates will cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates will be held in trust for the account of the Owners of the Certificates so to be prepaid, and will be held by the Trustee in cash uninvested.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be executed and delivered for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – BOOK-ENTRY PROVISIONS".

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the

Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

Transfer and Exchange

The provisions of the Trust Agreement regarding the registration, exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC's book-entry system. While the Certificates are subject to DTC's book-entry system, their registration, exchange and transfer will be effected through DTC and DTC Participants and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX F.

Transfer of Certificates. The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates will be surrendered for registration of transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity and aggregate principal amount of the same series, in any authorized denominations. The cost of printing the Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer and exchange will be paid by the City, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and the same Series. The City will pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment under the Trust Agreement.

THE LEASED PROPERTY

General

Lease Payments will be made by the City under the Lease Agreement for the use and occupancy of the Leased Property, which is comprised of land and the improvements thereon, consisting of the 1.58-acre City-owned parking lot located at 5151 Round Meadow Road. The total estimated value of the Leased Property is approximately \$9,000,000.

Modification of Leased Property

Under the Lease Agreement, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement.

Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under the Lease Agreement, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under the Lease Agreement; provided that if any such lien is established and the City first notifies the Corporation of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased 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 will provide the Corporation with full security against any loss or forfeiture that might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the City.

Substitution of Property

Under the Lease Agreement, the City has, and is granted, the option at any time and from time to time to substitute other (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), provided that the City must satisfy all of the requirements set forth in the Lease Agreement that are conditions precedent to such substitution, and which include (among others) the following:

- (a) The City shall certify in writing to the Corporation and the Trustee that, based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property.
- (b) The City must certify in writing to the Corporation and the Trustee that such Substitute Property serves essential public purposes of the City and

constitutes property which the City is permitted to lease under the laws of the State of California.

- (c) The City must certify in writing to the Corporation and the Trustee that the estimated useful life of such Substitute Property at least extends to April 1, 20____, being the date that is 10 years after the final Lease Payment becomes due and payable under the Lease Agreement.

Upon the satisfaction of all conditions precedent to substitution under the Lease Agreement, the Term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property), and all references to the Former Property will apply with full force and effect to the Substitute Facility.

The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

The Corporation and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement, the Property Lease and the Assignment Agreement against the Former Property, and to cause the Substitute Site or Substitute Property to become subject to all of the terms and conditions of the Lease Agreement, Property Lease and the Assignment Agreement.

See APPENDIX B for additional conditions to the substitution of property under the Lease Agreement.

Removal of Property

Under the Lease Agreement, City has the option at any time and from time to time to remove any portion of the Leased Property from the Lease Agreement and the Property Lease (the "**Released Property**") provided that the City has satisfied all of the requirements of the Lease Agreement that are conditions precedent to such release, and which include (among others) that the City certifies in writing to the Corporation and the Trustee that, based on the estimated value of the Leased Property, as revised by such removal, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Leased Property.

Upon the satisfaction of all conditions precedent to release under the Lease Agreement, the Term of the Lease Agreement will thereupon end as to the Released Property.

The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

The Corporation and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement, the Property Lease, and the Assignment Agreement of record against the Released Property.

See APPENDIX B for additional conditions to the release of property from the Lease Agreement and the Property Lease.

PLAN OF FINANCING

The proceeds of the Certificates will be used to (i) finance the Project; and (ii) pay certain costs of executing and delivering the Certificates.

The Project

The Project consists of the design and construction of a network for City-wide fiber optic broadband internet service. The physical equipment comprising the Project will be owned by the City, while the management and operation of the network is expected to be performed by an outside contractor who will be paid based on the number of internet service customers.

The Project is not serving as a leased asset for the Certificates. See "THE LEASED PROPERTY."

Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the Certificates, and related amounts, are anticipated to be applied as follows:

<u>SOURCES</u>	<u>Total</u>
Principal Amount of Certificates	
<i>Plus/Less: Net Original Issue Premium/(Discount)</i>	
<i>Total Sources</i>	
<u>USES</u>	
Deposit to Project Fund	
Deposit to Capitalized Interest Account	
Deposit to Costs of Issuance Fund [1]	
Underwriter's Discount	
<i>Total Uses</i>	

[1] Includes fees of Special Counsel, Disclosure Counsel, municipal advisor, rating agency, Trustee; title insurance premium; printing costs; and other costs of executing and delivering the Certificates.

SCHEDULE OF LEASE PAYMENTS

The table below shows the annual Lease Payments, which corresponds to the payments of principal and interest with respect to the Certificates and assumes no optional or extraordinary mandatory prepayments.

Rental Period Ending (April 1)*	Principal Component	Interest Component	Total
TOTAL	_____	_____	_____

(1) "Rental Period" is defined in the Lease to mean each twelve-month period during the Term of this Lease Agreement commencing on April 2 in any year and ending on the next succeeding April 1, except that the first rental period shall commence on the Closing Date. Lease Payments are due on the fifteenth day prior to the corresponding Payment Date.

THE CORPORATION

The Corporation

The Corporation was organized on April 15, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purpose of benefiting California governmental agencies by participating with such governmental agencies in projects to maintain, improve and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation's articles of incorporation.

The Corporation has no financial liability to the owners of the Certificates with respect to the payment of Lease Payments by the City, or with respect to the performance by the City of the other agreements and covenants it is required to perform.

The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the board of directors of the Corporation consists of at least two, but no more than five, directors holding office for terms of six years. The Corporation has no employees and the directors of the Corporation receive no compensation for work or service performed as Corporation directors.

SECURITY FOR THE CERTIFICATES

This section provides summaries of the security and sources of payment for the Certificates and certain provisions of the Trust Agreement and Lease Agreement. See APPENDIX B for a more complete summary of the Trust Agreement and Lease Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

General

Lease Payments. Each Certificate evidences and represents a proportionate undivided interest of the Owner thereof in the Lease Payments to be made by the City under the Lease Agreement.

Assignment to Trustee. Under the Assignment Agreement, the Corporation will transfer, assign and set over to the Trustee, for the benefit of the Owners of all Outstanding Certificates, substantially all of the Corporation's rights under the Lease Agreement and the Property Lease, including without limitation:

(a) the right to receive and collect all of the Lease Payments from the City under the Lease Agreement;

(b) the right to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments, prepayments thereof and any other amounts required to be deposited in the Lease Payment Fund established under the Trust Agreement, or (ii) otherwise to protect the interests of the Certificate Owners in the event of a default by the City under the Lease Agreement.

This assignment will be absolute and irrevocable, and will be without recourse to the Corporation.

Under the Lease Agreement, the City acknowledges that all Lease Payments have been assigned by the Corporation to the Trustee in trust under the Assignment Agreement, for the benefit of the Owners of the Certificates, and the City consents to such assignment. The Corporation directs the City, and the City agrees to pay to the Trustee at its Corporate Trust Office, all Lease Payments (including prepayments thereof).

Lease Payments

Obligation to Make Lease Payments. Under the Lease Agreement (subject to the provisions of the Lease Agreement regarding abatement and prepayment), the City will pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable in immediately available funds on the Payment Dates immediately following each of the respective Lease Payment Dates, and to be deposited by the City with the Trustee on each of the Lease Payment Dates.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period.

Effect of Prepayment. If notice of prepayment has been duly given and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then the Certificates will become due and payable on the date of prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, those Certificates will be paid at the unpaid principal amount (or applicable portion thereof) with respect thereto, plus interest accrued and unpaid to the date of prepayment. From and after the date of prepayment, interest represented by the prepaid Certificates will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates will be held in trust for the account of the owners of the Certificates so to be prepaid.

Fair Rental Value. The Lease Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and the City will pay the Lease Payments in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Corporation and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property as of the Closing Date, other obligations of the City and the Corporation under this Lease, the uses and purposes that may be served by the Leased Property, and the benefits therefrom that will accrue to the City and the general public.

Source of Payments; Budget and Appropriation

General. The Lease Payments are payable from any source of legally available funds of the City, subject to the provisions of the Lease Agreement regarding abatement and prepayment.

The City covenants in the Lease Agreement to take such action as may be necessary to include all estimated Lease Payments due under the Lease Agreement in each of its final approved budgets. The City further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the City for all the actual amount of Lease Payments that come due and payable during the period covered by each such budget.

These covenants on the part of the City are duties imposed by law and it is 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 officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Abatement

Use and Possession of the Leased Property. Lease Payments will be made by the City for and in consideration of the right of beneficial use and occupancy of the Leased Property. If due to damage or destruction to the Leased Property, eminent domain or for any reason, there is substantial interference with the use and possession of all or part of the Leased Property, the City's obligation to make Lease Payments from its funds will be subject to abatement. Abatement of Lease Payments is not an event of default under the Trust Agreement, the Lease Agreement or the Certificates and will not permit the Trustee to take any action or avail itself of any remedy against the City. The City will not have an obligation to make Lease Payments with respect to the Leased Property other than from amounts in the Lease Payment Fund or eminent domain award or the proceeds of any rental interruption insurance until such substantial interference with the use and possession of the Leased Property, or a portion thereof, has been remedied.

Absence of Earthquake and Flood Insurance. The obligation to make Lease Payments may be adversely affected if the Leased Property or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City, however, is not obligated under the Lease Agreement to procure and maintain, or cause to be maintained, earthquake or flood insurance on the Leased Property. The City, however, is obligated under the Lease Agreement to maintain other types of insurance. In the event of damage or destruction to the Leased Property caused by perils for which the City is not required to provide insurance under the Lease Agreement, the City will not be obligated to repair, replace or reconstruct the Leased Property, though the City may choose to do so.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance and Condemnation

Any net proceeds of insurance or condemnation awards with respect to the Leased Property will be deposited in the Insurance and Condemnation Fund. In the event of an insurance award, the net proceeds on deposit in the Insurance and Condemnation Fund shall be used, as directed by the City, either (a) to replace, repair, restore, modify or improve such Leased Property if the City determines that such is economically feasible or in the best interests of the City, or (b) to the extent not so used, to prepay the Lease Payments allocable to such Leased Property and thereby prepay Certificates. In the event of an eminent domain award with respect to the Leased Property, the net proceeds on deposit in any Insurance and Condemnation Fund shall be used as directed by the City, as follows: (i) if the City determines that such eminent domain proceedings have not materially affected the interest of the City in such Leased Property or its ability to make payments under the Lease Agreement, such proceeds shall be used either for repair, replacement or rehabilitation of such Leased Property, or credited towards the allocable Lease Payments next coming due and payable; or (ii) if the City determines otherwise, and in any event if all of the Leased Property is taken in eminent domain proceedings, such proceeds shall be used to prepay the Lease Payments and Certificates.

Covenants to Maintain Insurance

Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general liability insurance policy or policies in protection of the Corporation, the Trustee and the City, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct

or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City.

The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance. The City will maintain, or cause to be maintained, throughout the remainder of the Term of the Lease Agreement, insurance against loss or damage to any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief 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, and will include coverage for damage from earthquakes if such earthquake coverage is available from reputable insurance companies at a reasonable cost. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of the Leased Property. Such insurance may be subject to such deductibles as the City deems prudent, provided such policy expressly waives any co-insurance policy. Such policy may be maintained as part of or in conjunction with any other fire and extended coverage carried by the City and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease.

Rental Interruption Insurance. Under the Lease Agreement, the City will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the casualty insurance required by the Lease Agreement and described above, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive fiscal years during the remaining Term of the Lease Agreement.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance.

The Net Proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Lease Payment Fund, and will be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

See “APPENDIX B – Summary of Principal Legal Documents” for a summary of certain other insurance requirements under the Lease Agreement.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978, by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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 a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

In accordance with Article XIII A, all taxable property is now shown at "full cash value" on the County's property tax rolls.

Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the State Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects.

Under Article XIII B, as amended, state and local government entities each have an annual "appropriations limit" which limits the ability to spend certain monies that are called "appropriations

subject to limitation” (consisting of most tax revenues and certain state subventions, together called “proceeds of taxes,” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of monies that are excluded from the definition of “appropriations limit,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two-thirds of the voters.

The “appropriations limit” is adjusted annually for changes in the cost of living and in population, for transfers in the financial responsibility for providing services, and in the case of certain declared emergencies.

If an entity receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the entity’s governing board, increase its appropriations limit to equal that amount (provided that the State has excess appropriations limit of its own in that fiscal year). The City’s appropriations limit for fiscal year 2022-23 is \$2,272,843, and the City does not anticipate exceeding this limit.

Proposition 218 - Article XIII C and Article XIII D

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, State voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

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

Property-Related Fees and Charges. Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments that involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and

charges that are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C also removed limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. See "APPENDIX A – City of Hidden Hills General Financial and Demographic Information – Major Revenues." If such repeal or reduction occurs, the City's ability to pay debt service with respect to the Certificates could be adversely affected.

Burden of Proof. Article XIII C provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIII D provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIII D.

Impact on City's General Fund. The approval requirements of Articles XIII C and XIII D reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees or charges in the future that it may need to meet increased expenditure needs. The City believes all of its existing local taxes, fees and assessments are compliant with Proposition 218 and Proposition 26.

Judicial Interpretation. Although some court cases have been decided, further interpretation and application of Articles XIII C and XIII D will be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 constitute neither an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a “**general tax**”) must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a “**special tax**”) must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency’s property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because less than two-thirds of the voters voting on the measure had approved the tax.

The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Proposition 22

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 22 has resulted in more stable revenues for the City, and the City expects this to continue to be the case.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218, Proposition 62, Proposition 1A and Proposition 22 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time, other initiative measures could be adopted, further affecting the City or its revenues or the ability of the City to expend revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Security for the Certificates

General. The obligation of the City to make Lease Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Lease Payments does not constitute a debt or indebtedness of the City, the Corporation, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the City to make Lease Payments is in consideration of the right of the City to the continued use and possession of the Leased Property. In the event of failure of such use and possession, the obligations of the City may be abated in whole or in part as described herein.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the City has covenanted in its Lease Agreement that, for so long as the Leased Property is available for its use, it will make the necessary annual appropriations within its budget for its Lease Payments.

See "SECURITY FOR THE CERTIFICATES."

Available General Revenue. The City is liable and may become additionally liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the California Constitution. Based upon the outcome of an election by the voters, or future changes in Article XIII C and Article XIII D or their interpretation by the courts, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. Property tax revenue can be adversely affected by reduction of assessed values by appeal or economic downturn and sales and other taxes also can be reduced by economic downturn or loss of significant taxpayers. To the extent that City tax revenue from any source is reduced or eliminated, the funds available to make Lease Payments may be decreased. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Abatement

Use and Possession of the Leased Property. Lease Payments are paid by the City for and in consideration of the right of beneficial use and occupancy of the Leased Property. If, for any reason, there is substantial interference with the use and possession of all or part of the Leased Property, the City's obligation to make Lease Payments from its funds will be subject to abatement. See "SECURITY FOR THE CERTIFICATES — Abatement" and APPENDIX B for additional information regarding abatement. Abatement of Lease Payments is not an event of default under the Trust Agreement, the Lease Agreement or the Certificates and will not permit the Trustee to take any action or avail itself of any remedy against the City. The City will not have an obligation to make Lease Payments with respect to the Leased Property other than from the proceeds of the Certificates or the proceeds of any rental interruption insurance, until such substantial interference with the use and possession of the Leased Property, or a portion thereof, has been remedied.

Damage or Destruction. If damage or destruction to the Leased Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments, together with moneys in the Lease Payment Fund (and in the event of damage or destruction, together with rental interruption insurance proceeds, if any, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Leased Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made in full and no remedy is available to the Trustee or the Owners under the Lease Agreement or Trust Agreement for nonpayment under such circumstances.

Absence of Earthquake and Flood Insurance. The obligation to make Lease Payments may be adversely affected if the Leased Property or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City, however, is not obligated under the Lease Agreement to procure and maintain, or cause to be maintained, earthquake or flood insurance on the Leased Property. The City, however, is obligated under the Lease Agreement to maintain other types of insurance. See APPENDIX B.

In the event of damage or destruction to the Leased Property caused by perils for which the City is not required to provide insurance under the Lease Agreement, the City will not be obligated to repair, replace or reconstruct the Leased Property, though the City may choose to do so.

The State, by statute, requires each city and county to adopt a comprehensive, long-term general plan for the physical development of the city or county. The general plan is required to contain, among other things, a safety element for the protection of the community from any unreasonable risks associated with the effects of various natural hazards. The safety element must include mapping of known seismic and other geologic hazards. However, knowing of the existence and location of a seismic fault does not mean that there are not others not known nor prevent earthquakes destructive to property from occurring. While the buildings on the Leased Property are generally built or have been retrofitted to exceed State building codes at the time with respect to seismic risk, a destructive earthquake could occur in the City and to the Leased Property in particular. So far this has not happened, and the City has not suffered serious earthquake damage to the Leased Property or any of its other property.

Remedies Against the City

Failure by the City to pay Lease Payments or other payments required to be made under the Lease Agreement or failure to observe and perform its other covenants and agreements under the Lease Agreement for a period of 30 days (or greater period, pursuant to the Lease Agreement) after written notice of such failure and request that it be remedied has been given to the City by the Corporation, or the Trustee, as the assignee of the Corporation, constitute events of default under the Lease Agreement and permit the Trustee to pursue remedies at law or in equity to enforce such covenants and agreements.

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement and the Trust Agreement provide that the Trustee may take possession of the Leased Property and lease it if there is a default by the City, and the Lease Agreement provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of the Leased Property may not be easily recoverable and even if recovered, could be of little value to others. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing of the Leased Property.

No Acceleration Upon Default

If the City defaults on its obligations to make Lease Payments, the Trustee may have limited ability to re-let the Leased Property so as to preserve the tax-exempt nature of the interest component of the Lease Payments and the Certificates. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The City will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Public Health Emergencies

General. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

Impacts of COVID-19 Emergency Uncertain. The COVID-19 pandemic is still ongoing; however, indications are strong that the pandemic is transitioning to its endemic stage though its dynamic nature leads to uncertainties. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery, including the effectiveness of State and Federal governments' relief programs.

The City has seen a steady recovery from the effects of the COVID-19 pandemic, with increases in actual and projected property taxes since Fiscal Year 2019-20. However, there can be no assurance that the COVID-19 pandemic or other pandemic will not have a material effect on the City's ability to make the Lease Payments. See "APPENDIX A – City of Hidden Hills General Financial and Demographic Information."

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The City's ability to make Lease Payments may be affected if the City should reach its appropriations limit. The City does not anticipate reaching said limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." The COVID-19 pandemic is expected to have a material impact on State revenues and appropriations.

City Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Lease Agreement may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the United States Bankruptcy Code, which governs the bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement.

If a Bankruptcy Court were to determine that the Lease Agreement is a lease for the purposes of the Bankruptcy Code, the City would have the right to reject (*i.e.*, terminate) the Lease Agreement. If the City elects to reject the Lease Agreement, the Leased Property could be re-let for the benefit of the Owners, but there can be no assurance that the Leased Property can be re-let for an amount sufficient to pay the Certificates or that such re-letting will not adversely affect the exclusion of any interest component of rental payments from federal or state income taxation. In addition the Bankruptcy Code severely limits any claim for damages suffered as a result of rejection of a lease.

Earthquakes and Other Natural Disasters

Earthquakes or other natural disasters, including fires, landslides or floods, could interrupt operation of the City and thereby interrupt the ability of the City to pay the Lease Payments. The City is located in a very active seismic area with major faults in and around the City.

Seismic Risk. Earthquakes can give rise to various seismic hazards including ground shaking, liquefaction, ground rupture and the generation of large waves in bodies of water. These seismic hazards can cause damage to structures and risk the health and safety of citizens, particularly in unreinforced masonry buildings. Major earthquakes have occurred in the vicinity of the City in the past, and can be expected to occur again in the near future. There are numerous

faults within and around the City, including the Northridge Hills Fault (approximately 8 miles away), the Simi-Santa Rosa Fault (approximately 9 miles away), the Malibu Coast Fault (approximately 10 miles away), the San Fernando Fault (approximately 13 miles away), and the San Andreas Fault (approximately 40 miles away), among others. These faults have historically been the source of earthquakes felt within or in the vicinity of the City.

Wildfires. In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. To quantify this potential hazard, the California Department of Forestry and Fire Protection (“**CAL FIRE**”) has developed a fire modeling and mapping process that utilizes three main criteria in order to evaluate and recommend potential fire hazards in wildland areas. The criteria are type of vegetation, fire weather, and topography. The maps developed by CAL FIRE identify areas as Fire Hazard Severity Zones and include three severity classifications: moderate, high, and very high. Wildland fire is a hazard that exists throughout the City. Portions of the City have been identified as being in a Very High Fire Hazard Severity Zone.

In the event taxable property within the City were destroyed by wildfires, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could result in a reduction of tax revenues to the City.

Southern California Edison Public Safety Power Shutoffs. Southern California Edison (“**Southern Cal Edison**”) has adopted a Community Wildfire Safety Program in an effort to prevent wildfires in the State. As part of its Community Wildfire Safety Program, Southern Cal Edison has notified customers, including the City, that Southern Cal Edison has implemented additional precautionary measures to help reduce the risk of wildfires. In particular, Southern Cal Edison has notified the City that, if extreme fire danger conditions threaten a portion of the electric system serving a community, Southern Cal Edison may turn off electricity in the interest of public safety (referred to as a “**Public Safety Power Shutoff**”). According to Southern Cal Edison, a Public Safety Power Shutoff could impact customers in an area that is not experiencing high winds or other extreme weather conditions because Southern Cal Edison’s system relies on power lines working together to provide electricity across cities, counties and regions, including the City and the County.

Flooding. According to the Federal Emergency Management Agency’s Flood Insurance Rate Maps, or FIRMS, the majority of the City is designated as subject to minimal flooding. However, some portions of the City are located in areas where the risk of flood hazard has not been determined.

Climate Change

The adoption by the State of the California Global Warming Solutions Act of 2006 (AB 32) and subsequent companion bills demonstrate the commitment by the State to take action and reduce greenhouse gases (“**GHG**”) to 1990 levels by 2020 and 80% below 1990 levels by 2050. The State Attorney General’s Office, in accordance with SB 375, now requires that local governments examine local policies and large-scale planning efforts to determine how to reduce greenhouse gas emissions. Additionally, the State adopted Senate Bill No. 32, which established a revised statewide GHG emission reduction target of 40% below 1990 levels by 2030.

Climate change will have new, direct impacts and will also exacerbate existing local natural hazards. Increased temperatures, when coupled with prolonged drought events, can increase the intensity of wildfires that may occur, and pose significant health and safety risks for vulnerable communities. Shorter, more intense wet seasons could make flooding more frequent, and may increase the landslide risk. California may experience greater water and food insecurity, and drought may become a more persistent issue as the effects of climate change deepen.

Cybersecurity

The City and its departments face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. The City has not previously been the subject of a cyberattack, although no assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat and attack. The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the City and damage the digital networks and systems. The resulting costs and/or impacts on operations and General Fund revenues could be material.

No Liability by the Corporation to the Owners

The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Impact of State Budget on City Revenues

At various times, including currently, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout the State. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

For example, declining revenues and fiscal difficulties that arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures that were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for schools.

The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address a State budget deficit. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be

required to make adjustments to its budget. Decrease in such revenues may have an adverse impact on the City's ability to pay the Certificates.

Change in Law

No assurance can be given that the State, the County or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City Council will not enact legislation that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Lease Payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 Article XIIC and Article XIID."

Tax Exemption of the Certificates

The City has covenanted in the Lease Agreement that it will not use or permit the use of any proceeds of the Certificates or any funds of the Corporation or the City, directly or indirectly, in any manner, and will not take or omit to take any action that would cause the interest component of the Lease Payments to be included in the gross income of the Owners for federal income tax purposes. In the event the City fails to comply with the foregoing tax covenant, the interest component of the Certificates may be includable in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Secondary Market

No assurance can be given that the marketability of the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service (the "IRS"), including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any IRS audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

No assurance can be given that the rating initially assigned to the Certificates by a rating agency will not be downgraded, or that the rating criteria or views of a rating agency will not change, sometime in the future, with a resulting decline in the secondary market price of the Certificates. See "RATING."

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The portion of Lease Payments designated and comprising interest may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and bond premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with

straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

CERTAIN LEGAL MATTERS

The legal opinions of Special Counsel, approving the validity of the Certificates and addressing certain tax matters, in substantially the form attached hereto as APPENDIX D, will be made available to purchasers at the time of original delivery of the Certificates. Special Counsel will, as Disclosure Counsel, also deliver a disclosure letter to the City and the Underwriter regarding the contents of this Official Statement. Certain matters will be passed upon for the City by the City Attorney.

BANK QUALIFICATION

Section 265(b)(3) of the Code provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions attributable to carrying certain tax-exempt obligations, such as the Certificates, except with respect to certain financial institutions. The City, in the Resolution of Issuance, and the governing board of the Corporation, in Corporation Resolution, have designated the Certificates as bank qualified obligations within the meaning of Section 265(b)(3) of the Code. Special Counsel's final approving opinion regarding the Certificates does not address the qualification of the Certificates under Section 265(b)(3) of the Code.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the City and its general fund by not later than nine months after the end of the City's fiscal year, or April 1 of each year based on the City's current fiscal year-end of June 30, commencing April 1, 2024, with the report for fiscal year 2022-23 (the "**Annual Report**") and to provide notices of the occurrence of certain listed events ("**Event Notices**"). All Annual Reports and Event Notices are required to be filed electronically with the Municipal Securities Rulemaking Board (the "**MSRB**").

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report and the Event Notices is set forth in APPENDIX E.

The City has not previously had any undertakings under the Rule.

UNDERWRITING

_____, as underwriter (the "**Underwriter**") has agreed, subject to certain conditions, to purchase the Certificates from the City at a purchase price of \$_____ (being the principal amount of the Certificates, *less* an Underwriter's discount in the amount of \$_____, [plus][less] a [net] original issue [premium][discount] of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all such Certificates if any Certificates are purchased. The Underwriter intends to offer the Certificates to the public initially at the prices and/or yields set forth on the inside front cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Certificates to the public. The Underwriter may offer and sell Certificates to certain dealers (including dealers depositing Certificates into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Certificates to the public, the Underwriter may over-allocate or effect transactions which stabilize or maintain the market prices for Certificates at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

LITIGATION

The City is not aware of any pending or threatened litigation concerning the validity of the Certificates or challenging any action taken by the City with respect to the Certificates. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Trust Agreement or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

PROFESSIONAL FEES

In connection with the execution and delivery of the Certificates, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Certificates:

- NHA Advisors, LLC, as Municipal Advisor;
- Jones Hall, A Professional Law Corporation, as Special Counsel and Disclosure Counsel; and
- U.S. Bank Trust Company, National Association as Trustee.

RATING

[S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P")] has assigned its rating of "___" to the Certificates. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

Future events could have an adverse impact on the rating of the Certificates, and there is no assurance that the criteria required by S&P to achieve the rating on the Certificates will not change during the period that the Certificates remain outstanding.

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Certificates may have an adverse effect on the market price or marketability of the Certificates.

EXECUTION

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

CITY OF HIDDEN HILLS

By: _____
City Manager

APPENDIX A

CITY OF HIDDEN HILLS GENERAL FINANCIAL AND DEMOGRAPHIC INFORMATION

General

The City is a general law city with a council-manager form of government, which was incorporated on October 19, 1961. It comprises approximately 1.7 square miles and is located in western Los Angeles County, approximately 29 miles west-northwest of the City of Los Angeles. The City is bordered on the north by Upper Las Virgenes Canyon Open Space Preserve, a nature reserve and greenbelt with miles of equestrian, hiking and mountain bike trails.

The City is governed by an elected five-member board. The City is a member of the Las Virgenes-Malibu Council of Governments, a joint powers authority with the cities of Agoura Hills, Calabasas, Malibu and Westlake Village to provide regional and cooperative planning and coordination of government services and responsibilities.

The County

Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties.

Almost half of the County is mountainous and some 14% is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the County is a semi-dry plateau, the beginning of the vast Mojave Desert.

According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the County cover about 1,344 square miles or 27 percent of the total County. About 16 percent of the land in the County is devoted to residential use and over two thirds of the land is open space and vacant.

City Services and Government

The City provides various services including streets, public improvements, planning and zoning, and general administration services. Fire protection services are provided under contract with the County of Los Angeles Fire Department. Police protection services are provided under contract with the Los Angeles County Sheriff's Department.

The City is organized as a council-manager form of local municipal government. The City Council consists of five members elected at-large for four-year, overlapping terms. The City Council selects the Mayor from among its members for a one-year term. The Mayor and City Council provide community leadership, develop policies to guide the City in delivering services and achieving community goals, and encourage citizen understanding and involvement.

The City Manager is appointed by the City Council and responsible for administration of municipal affairs. All municipal departments operate under the supervision of the City Manager.

Through the City Manager, City staff, using the resources appropriated by the Council in the budget to achieve desired service results in the community, carries out the policies of the Council.

Budget Process

The fiscal year of the City begins on the first day of July and ends on the 30th day of June of the following calendar year. Development of an annual budget typically begins up to six months prior to the fiscal year budget under consideration. Budgeting is a continuing process involving the presentation of budget estimates by all departments, meetings with the City Council’s Budget Ad-Hoc Committee, and referral of a preliminary budget to the City Council for consideration. After the City Council review and public hearings on the proposed budget, adoption of the budget for the forthcoming fiscal year is normally enacted by resolution prior to July 1.

Appropriations Limit

The City’s following table shows the City of Hidden Hills’s appropriation limit and appropriations subject to limitation for the fiscal years 2019-20 through 2023-24. See also “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Appropriations Limitation — Article XIIB.”

**CITY OF HIDDEN HILLS
Appropriations Limit and
Appropriations Subject to Limitation**

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Appropriations Limit	\$1,906,429	\$1,983,867	\$2,110,757	\$2,272,843	\$2,354,767
Appropriations Subject to Limitation	\$1,561,000	\$1,660,656	\$1,810,462	\$2,146,057	\$[]

General Fund Budgets

General. The City's adopted budgeted General Fund revenues and expenditures for fiscal years 2022-23 and 2023-24, actual General Fund revenues and expenditures for fiscal year 2021-22, and estimated General Fund revenues and expenditures for fiscal year 2022-23 are set forth in the following table. Budgeted amounts are based on the most current and reliable information. The City's audited financial statements for the fiscal year ended June 30, 2022, are included as APPENDIX C to this Official Statement.

CITY OF HIDDEN HILLS General Fund Adopted Budgets, Actual or Estimated Results, and Changes in Fund Balance for Selected Fiscal Years

	<u>Actual FY 2021-22</u>	<u>Adopted Budget FY 2022-23</u>	<u>Estimated Results FY 2022-23</u>	<u>Adopted Budget FY 2023-24</u>
<u>Revenues:</u>				
Property Tax	\$1,351,145	\$1,395,171	\$1,467,313	\$1,555,352
Other Local Taxes	311,496	165,500	165,500	164,000
Interest Income	242,107	247,161	290,873	270,000
Other Taxing Entities	335,070	359,825	372,856	400,705
Building and Safety	1,517,191	852,200	1,249,020	1,002,600
Recreation	48,913	48,714	57,574	57,500
Other Revenues	(280,287)	226,100	261,205	324,999
Total Revenues	\$3,525,635	\$3,294,671	\$3,864,341	\$3,775,156
<u>Transfers In</u>				
Transfers in from Other Funds	\$335,375	\$219,052	\$249,642	\$285,580
Total (out) to Capital Projects	(251,530)	(3,159,763)	(704,221)	(2,403,548)
Total Net Transfers	\$83,845	\$(2,940,711)	\$(454,579)	\$(2,117,968)
<u>Expenditures:</u>				
Salaries and Benefits	\$575,539	\$621,049	\$615,620	\$645,505
Administration	405,740	483,993	458,189	559,632
Community Services	178,279	192,454	205,063	293,895
Public Safety	703,809	718,672	700,000	788,000
Building & Safety	979,735	1,103,924	1,025,090	980,426
Maintenance	72,906	83,154	74,885	77,000
Total Expenditures	\$2,916,007	\$3,203,245	\$3,078,848	\$3,344,458
Excess of Revenues over Expenditures & Net Transfers	\$693,474	\$(2,849,285)	\$330,914	\$(1,687,270)
Beginning Fund Balance July 1	\$10,058,159	\$10,751,633	\$10,751,633	\$11,082,547
Ending Fund Balance June 30	\$10,751,633	\$7,902,348	\$11,082,547	\$9,395,276

Source: City of Hidden Hills Annual Budget for Fiscal Year 2023-24.

2023-24 Adopted Budget. The City’s 2023-24 adopted budget (the “**Adopted Budget**”) projects a cumulative general fund surplus of approximately \$716,000, excluding transfers out of the General Fund for capital projects, and an estimated \$9.4 million general fund balance at the end of fiscal year 2023-24. Budgeted General Fund revenues were \$3.3 million in fiscal year 2022-23 and are \$3.8 million in fiscal year 2023-24. Property taxes continue to be the City’s largest source of revenue, representing over 50% of all General Fund revenue in fiscal year 2022-23 and budgeted to be over 40% of all General Fund revenue in fiscal year 2023-24.

City General Fund Reserves

As part of its budget process, the City annually adopts a General Fund Reserve Policy. The General Fund Reserve Policy for fiscal year 2023-24 has three reserve categories: a Contingency Reserve, a Capital Improvement Projects Reserve, and an Undesignated Reserve, as further described below:

- Contingency Reserve. The Contingency Reserve represents an annual uncommitted, unencumbered reserve to protect the City’s essential service programs and funding requirements. For Fiscal Year 2023-24, the Contingency Reserve is set at \$3,344,458, or 100% of budgeted General Fund expenditures.
- Capital Improvement Projects Reserve. The Capital Improvement Projects Reserve is dedicated to expenditures associated with the City’s ongoing capital improvement projects. For Fiscal Year 2023-24, the Capital Improvement Program Reserve is set at \$2,903,548.
- Undesignated Reserve. The Undesignated Reserve is dedicated to ease temporary cash flow shortages and minor unanticipated expenses that could occur throughout the fiscal year. For Fiscal Year 2023-24, the Building Maintenance and Replacement/Upgrade Reserve is set at 4,834,541, but is subject to change based on the fiscal year 2022-23 surplus per the final audit for such fiscal year.

As of June 30, 2023, all of these reserves were fully funded.

**CITY OF HIDDEN HILLS
Available General Fund Balances**

	Fiscal Year <u>2020-21</u>	Fiscal Year <u>2021-22</u>
Nonspendable	\$39,254	\$41,103
<i>Assigned</i>		
Contingency Reserve	2,833,492	--(1)
CIP Reserve	2,250,000	2,166,000
Building Reserve	500,000	500,000
Utility Reserve	3,799,260	3,916,690
Unassigned	636,153	4,127,840
TOTAL FUND BALANCE	\$10,058,159	\$10,751,633

(1) In Fiscal Year 2021-22, amounts in the Contingency Reserve were re-classified as part of Unassigned reserves.
Source: City of Hidden Hills

State Budget and Its Impact on the City

Fiscal Year 2023-2024 State Budget. On June 27, 2023, the Governor signed the fiscal year 2023-24 State Budget (the “**2023-24 State Budget**”). The overall State spending plan totals \$310 billion (\$226 billion General Fund/\$84 billion Special Fund) and solves a \$31.5 billion deficit problem. The deficit is largely the result of falling State revenues in recent months due to a downturn in the stock market and resulting decreased capital gains, which is a volatile yet significant source of the State’s revenues. The 2023-24 State Budget maintains the largest-ever reserves aimed at weathering projected deficits in the out-years as well as a potential economic recession in the coming year or two.

The 2023-24 State Budget marked a turnabout from several previous years of record surpluses, big ongoing program commitments, and major one-time augmentations for projects. Adding to uncertainties in budgeting was the delayed income tax return filing date due to the federal and State winter storm disaster declarations. As a result, actual revenues in the new budget can be only an educated guess until October 15, 2023 and further adjustments may be necessary early next year if revenues continue to underperform projections.

The deficit gap was addressed with a combination of spending reductions totaling \$8 billion, including a planned \$750 million payment to the federal government to reduce the State’s \$20 billion unemployment insurance debt and about \$4 billion in funding previously earmarked for climate change and zero-emission programs, delayed spending of nearly \$8 billion previously approved for coming years, including funding for building facilities for transitional and full-day kindergarten, postponement in spending \$500 million in broadband expansion funding, and more than \$15 billion in revised revenue estimates, internal fund shifts and internal borrowing.

Impact of State Budget on City. The City currently receives a portion of its overall funding from the State, which is accounted for primarily in the City’s various Special Revenue Funds rather than in the General Fund.

Voters approved Proposition 1A in November 2004 to amend the State Constitution to place constraints on the State’s ability to divert certain specified revenues from local agencies to the State. Subsequently, in November 2010, voters approved Proposition 22 to amend the State Constitution to further constrain or eliminate the State’s ability to redirect revenues from local agencies. “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS – Proposition 1A” and “– Proposition 22.”

Additional Information. Information about the 2022-23 State Budget and other State budgets is available at www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by the City. 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 in this Official Statement by these references.*

Financial Statements

The accounting policies of the City conform to generally accepted accounting principles. The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local

Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. There are three groups of funds: the General Fund, Special Revenue Funds, and the Capital Projects Fund.

The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund. The General Fund uses the accrual basis of accounting.

The City’s most recent audited financial statements are included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, which is attached as APPENDIX C to this Official Statement. The financial statements were prepared by the City and audited by Van Lant & Fankhanel, LLP (the “**Auditor**”).

The financial statements should be read in their entirety. The City has neither requested nor obtained permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or General Fund. In addition, the Auditor has not reviewed this Official Statement.

Set forth on the following pages are (i) a general fund balance sheet for fiscal years 2017-18 through 2021-22 and (ii) a statement of revenues, expenditures and changes in fund balance for the City’s General Fund for the same period.

**CITY OF HIDDEN HILLS
General Fund Balance Sheet**

	<u>Audited 2017-18</u>	<u>Audited 2018-19</u>	<u>Audited 2019-20</u>	<u>Audited 2020-21</u>	<u>Audited 2021-22</u>
ASSETS:					
Cash and investments	\$9,810,093	\$11,186,050	\$10,981,365	\$10,644,613	\$11,986,768
Accounts receivable	50,049	74,480	87,412	298,671	172,718
Taxes receivable	65,838	38,414	39,458	52,404	105,359
Interest receivable	16,144	18,829	79,664	72,781	83,874
Prepaid items	74,576	63,713	38,398	39,254	41,103
Due from other funds	-	136,744	202,354	118,445	--
Total assets	<u>10,016,700</u>	<u>11,518,230</u>	<u>11,428,651</u>	<u>11,226,168</u>	<u>12,389,822</u>
LIABILITIES:					
Accounts payable	181,975	431,678	157,328	245,120	241,416
Deposit payable	1,062,585	1,293,528	1,082,425	890,099	1,238,011
Due to other funds	668,437	644,876	64,481		
Total liabilities	<u>1,912,997</u>	<u>2,370,082</u>	<u>1,304,234</u>	<u>1,135,219</u>	<u>1,479,427</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	--	--	33,291	32,790	158,762
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>33,291</u>	<u>32,790</u>	<u>158,762</u>
Fund Balances:					
Nonspendable	74,576	63,713	38,398	39,254	41,103
Restricted	--	--	-	--	--
Committed	--	--	-	--	--
Assigned	343,945	343,945	8,475,158	9,382,752	6,582,690
Unassigned	7,685,182	8,740,490	1,577,570	636,153	4,127,840
Total fund balances	<u>8,103,703</u>	<u>9,148,148</u>	<u>10,091,126</u>	<u>10,058,159</u>	<u>10,751,633</u>
Total liabilities and fund balances	<u>\$10,016,700</u>	<u>\$11,518,230</u>	<u>\$11,428,651</u>	<u>\$11,226,168</u>	<u>\$12,389,822</u>

Source: City of Hidden Hills Audited Financial Statements.

CITY OF HIDDEN HILLS
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance

	<u>Audited 2017-18</u>	<u>Audited 2018-19</u>	<u>Audited 2019-20</u>	<u>Audited 2020-21</u>	<u>Audited 2021-22</u>
<u>Revenues:</u>					
Taxes	\$1,482,399	\$2,029,300	\$2,082,502	\$2,473,475	\$2,683,741
Licenses and permits	24,217	16,984	-	632,593	1,467,888
Intergovernmental	992	25,921	59,905	312,079	2,210
Charges for services	1,258,093	1,108,532	756,360	56,663	114,967
Use of money and property	54,582	420,514	--	--	--
Investment income	--	--	374,084	214,935	(332,067)
Legal settlement	--	--	1,076,770	--	--
Miscellaneous	72	839	12,355	5,840	97,560
Total revenues	<u>2,820,355</u>	<u>3,602,090</u>	<u>4,361,976</u>	<u>3,695,585</u>	<u>4,034,299</u>
<u>Expenditures:</u>					
Current:					
General government	758,053	1,219,440	1,923,603	1,386,356	1,668,220
Public safety	520,931	571,383	754,014	678,289	703,809
Public works	755,397	824,275	849,780	895,452	1,052,641
Capital outlay	29,825	160,100	64,835	1,021,129	251,529
Total expenditures	<u>2,064,206</u>	<u>2,775,198</u>	<u>3,592,232</u>	<u>3,981,226</u>	<u>3,676,199</u>
Excess of revenues over (under) expenditures	756,149	826,892	769,744	(285,641)	358,100
<u>Other financing sources (uses):</u>					
Transfers in	184,578	220,691	206,644	252,674	335,374
Transfers out	(94,496)	(3,138)	(64,481)	--	--
Total other financing sources (uses)	<u>90,082</u>	<u>217,553</u>	<u>142,163</u>	<u>252,674</u>	<u>335,374</u>
Net change in fund balance	846,231	1,044,445	911,907	(32,967)	693,474
Fund balance - July 1	7,128,844	8,103,703	9,179,219 ⁽¹⁾	10,091,126	10,058,159
Beginning fund, as restated	<u>7,257,472</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance - June 30	<u>\$8,103,703</u>	<u>\$9,148,148</u>	<u>\$10,091,126</u>	<u>\$10,058,159</u>	<u>\$10,751,633</u>

(1) Beginning of fiscal year fund balance exceeds prior fiscal year end of year fund balance due to a prior year adjustment to account for accrued interest of \$31,071, as recommended by the City's auditors.
Source: *City of Hidden Hills Annual Comprehensive Financial Reports.*

Major Revenues

The following table summarizes the City's General Fund revenue sources.

CITY OF HIDDEN HILLS General Fund Revenues

Type of Revenue	Actual <u>2017-18</u>	Actual <u>2018-19</u>	Actual <u>2019-20</u>	Actual <u>2020-21</u>	Actual <u>2021-22</u>
Taxes	\$1,482,399	\$2,029,300	\$2,082,502	\$2,473,475	\$2,683,741
Licenses and Permits	24,217	16,984	--	632,593 ⁽¹⁾	1,467,888 ⁽¹⁾
Intergovernmental	992	25,921	59,905	312,079	2,210
Charges for Services ⁽²⁾	1,258,093	1,108,532	756,360	56,663	114,967
Investment Income	54,582	420,514	374,084	214,935	(332,067)
Miscellaneous	72	839	1,089,125 ⁽³⁾	5,840	97,560
Total	\$2,820,355	\$3,602,090	\$4,361,976	\$3,695,585	\$4,034,299

(1) Increases in License and Permit revenue in Fiscal Years 2020-21 and 2021-22 is primarily attributable to building permit fees being re-classified from Charges for Services starting in Fiscal Year 2020-21.

(2) Decline in Charges for Services is due primarily to building permit fees being classified in Licenses and Permits starting in Fiscal Year 2020-21.

(3) Miscellaneous revenue in Fiscal Year 2020-21 includes a one-time legal settlement in the amount of \$1,076,770.

Source: *City of Hidden Hills Annual Comprehensive Financial Reports.*

Taxes

General Fund tax revenue includes revenues from property taxes, real property transfer taxes, sales and use taxes, and franchise taxes, with property taxes being the largest contributor to General Fund tax revenues. Property tax revenue has historically been the largest General Fund revenue source for the City, often accounting for approximately 50% of General Fund revenues. In the Adopted Budget, the property tax revenue, including property tax in lieu of vehicle license fees, is projected to increase by approximately \$200,000, from \$1.75 million in the Fiscal Year 2022-23 budget to \$1.95 million in Fiscal Year 2023-24 primarily on the strength of the current housing market.

Property Tax – Assessed Valuation. All non-exempt property is assessed using full cash value as defined by Article XIII A of the California Constitution. State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files and qualifies for such exemption. This exemption does not result in any loss of tax revenue to local agencies, since the State reimburses local agencies for the value of taxes on exempted property. State law also provides exemptions from *ad valorem* property taxation for certain classes of property based on ownership or use, such as household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories and real property used for religious, non-profit hospital, scientific and charitable purposes; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed, nor is local government property located within the jurisdiction of that local government.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed real property and other real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property, including personal property and leasehold interests. Unsecured property is assessed on the “unsecured roll.” Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is the July 1 - June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified as of July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to “supplemental” rolls during the year acquired or improvements are completed, and taxed at the secured or unsecured rate then in effect, as the case may be, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

Future growth in assessed valuation allowed under Article XIII A is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

The following table represents the most recent ten-year history of taxable assessed valuation in the City:

**CITY OF HIDDEN HILLS
Historical Assessed Valuations**

<u>Fiscal Year</u>	<u>Secured Assessed Value</u>	<u>Unsecured Assessed Value</u>	<u>Total Assessed Value</u>	<u>% Change from Prior Fiscal Year</u>
2013-14	\$1,264,110,731	\$464,700	\$1,264,575,431	--
2014-15	1,317,674,756	577,870	1,318,252,626	4.24%
2015-16	1,418,846,423	491,601	1,419,338,024	7.67
2016-17	1,507,622,660	382,656	1,508,005,316	6.25
2017-18	1,620,263,924	290,212	1,620,554,136	7.46
2018-19	1,752,695,354	413,672	1,753,109,026	8.18
2019-20	1,880,559,146	401,850	1,880,960,996	7.29
2020-21	2,054,444,487	406,566	2,054,851,053	9.24
2021-22	2,238,160,563	507,292	2,238,667,855	8.95
2022-23	2,495,199,398	476,531	2,495,675,929	11.48

Source: County Auditor Controller's Annual Assessed Valuation Report.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

The City cannot predict or make any representations regarding the effects that natural disasters including but not limited to earthquakes, fires, floods, droughts and related conditions may have on the value of taxable property within the City, or to what extent the effects said disasters might have had on economic activity in the City or throughout the State. See also "SECURITY FOR THE CERTIFICATES – Earthquakes and Other Natural Disasters" and "SECURITY FOR THE CERTIFICATES – Public Health Emergencies."

Property Tax Base Transfer Ballot Measure. On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment ("**Proposition 19**"), which: (i) expanded special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrowed existing special rules for inherited properties; and (iii) broadened the scope of legal entity ownership changes that trigger reassessment of properties. The City cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the City.

Property Tax Levies, Collections and Delinquencies. Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year. The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by end of business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes, plus a charge of \$10 if unpaid after April 10. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted if not paid by June 30 of the same fiscal year. Such property may thereafter be redeemed by payment of (a) the delinquent taxes, (b) the 10% penalty, (c) the \$10 charge, (d) an additional penalty of 1.5% per month (18% annualized rate) from July 1 to the time of redemption and (e) a redemption fee of \$15 per parcel, \$5 of which goes to the State (collectively, the "Redemption Amount"). Properties may be redeemed under an installment plan of paying the Redemption Amount in five equal installments over a period of four years. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax defaulted. If taxes are unpaid five years after the property becomes tax defaulted or, if an installment plan is in place, then at the end of the installment plan, the County can initiate a "power to sell" procedure for the County Tax Collector to sell the property at auction. Alternatively, in certain instances the County may institute a superior court action to foreclose the lien on the property; if the lawsuit is successful, the property may be sold at a judicial foreclosure sale.

A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue and a lien is recorded against the assessee. The taxing authority may collect delinquent unsecured personal property taxes by: (a) a civil action against the taxpayer; (b) filing a certificate of delinquency in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; and (c) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental roll taxes are due on the date the bill is mailed. If the tax bill is mailed within the months of July through October, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on December 10 of the same year and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on April 10 of the next year; if the bill is mailed within the months of November through June, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the month following the month in which the bill is mailed and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the fourth calendar month following the date the first installment is delinquent. A 10% penalty attaches to any delinquent payment for supplemental roll taxes.

All tax due dates and delinquency dates become the next business day if they fall on a day that is not a business day.

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order which may be enacted by the State legislature or declared by the Governor from time to time.

No Teeter Plan. The City is located in Los Angeles County, which has not adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Because the County has not adopted a Teeter Plan, the City is subject to any delinquencies in the collection of property taxes but gains all penalty and interest amounts when such delinquencies are collected. Delinquencies in the payment of property taxes by the owners of land in the City could have an adverse effect on the City's ability to make timely payments on the Certificates.

Real Property Transfer Tax. Real estate transfer taxes are imposed by the City upon the transfer of real property, based on the price of the property transferred to the new owner. Real property transfer taxes are budgeted at \$149,000 for Fiscal Year 2023-24.

Sales Tax. The sales tax is imposed on retail sales of tangible personal property. A similar use tax is imposed on purchases out-of-state and delivered for use in California. Since the passage of the Bradley-Burns Act in 1955, the State has collected, along with its own sales taxes, a uniform 1% sales and use tax for allocation to cities and counties based on a point-of-sale formula. The passage of Proposition 172 in 1993 permanently extended an additional 0.5% sales tax dedicated to local public safety. Sales and use tax receipts to the City are deposited in the City’s general fund.

The following table summarizes historical taxable transactions in the City. Total taxable sales during calendar year 2022 in the City were reported to be \$1,039,086, a 58.42% decrease over the total taxable sales of \$2,499,195 reported during calendar year 2021.

**CITY OF HIDDEN HILLS
Taxable Transactions - 2018 through 2022
Number of Permits and Valuation of Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions (in thousands)	Number of Permits	Taxable Transactions (in thousands)
2018	26	\$244	44	\$248
2019	29	271	53	616
2020	28	856	51	1,084
2021	27	2,308	47	2,499
2022	22	884	40	1,039

Source: California Department of Tax and Fee Administration.

The following table summarizes historical taxable transactions in the County. Total taxable sales during calendar year 2022 in the County were reported to be \$212,780,820,712, a 10.52% increase over the total taxable sales of \$192,524,203,010 reported during calendar year 2021.

LOS ANGELES COUNTY
Taxable Transactions - 2018 through 2022
Number of Permits and Valuation of Taxable Transactions

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions (in thousands)	Number of Permits	Taxable Transactions (in thousands)
2018	200,603	\$119,145,054	328,047	\$166,023,796
2019	206,732	122,137,664	342,359	171,776,327
2020	226,643	112,044,029	376,990	155,678,156
2021	208,412	138,932,925	349,061	192,524,203
2022	210,441	150,109,069	354,092	212,780,821

Source: California Department of Tax and Fee Administration.

Other General Fund Revenues

Revenue from licenses and permits, which consists primarily of building permit revenues, is often the City’s second largest source of General Fund revenues. Building permit revenues are correlated with construction activity. The City revised its building permit valuation tables in 2022, which is expected to increase building permit in future years.

The City also imposes charges for certain services it provides, including charges for new alarm registrations, false alarms, and filming permits.

No Long-Term General Fund Obligations

Other than the Certificates, the City has no long-term obligations payable from the General Fund. Set forth below is a summary of long-term obligations payable from the City’s General Fund.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and dated May 11, 2023. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. See also “Long-Term General Fund Obligations” below for further discussion of the City’s general fund debt obligations.

CITY OF HIDDEN HILLS
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of May 1, 2023)

2022-23 Assessed Valuation: \$2,495,675,929

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/23</u>
Metropolitan Water District	0.069%	\$ 13,258
Los Angeles Community College District	0.233	10,486,701
Las Virgenes Joint Unified School District	8.915	8,758,774
City of Hidden Hills	100.000	0⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$19,258,733
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.132%	\$3,436,305
Los Angeles County Superintendent of Schools Certificates of Participation	0.132	4,493
Las Virgenes Joint Unified School District Certificates of Participation	8.915	764,248
TOTAL OVERLAPPING GENERAL FUND DEBT		\$4,205,046
COMBINED TOTAL DEBT		\$23,463,779 ⁽²⁾

Ratios to 2022-23 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	0.77%
Combined Total Debt	0.94%

(1) Excludes the Certificates.

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

Source: California Municipal Statistics, Inc.

Labor Relations

There are currently 4 full equivalent (FTE) City employees, none of which are represented labor unions.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (the "CJPIA"). The CJPIA is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance.

See Note 8 in the City's Annual Financial Report for the fiscal year ended June 30, 2022 which are attached to this Official Statement as APPENDIX C, for additional information about the City's risk management practices.

Employee Retirement System

This caption contains certain information relating to California Public Employees' Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The annual comprehensive financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous or PEPRAs Miscellaneous cost-sharing multiple-employer defined benefit plans (collectively, the "**Plans**") administered by the CalPERS. The Plans are cost-sharing multiple-employer defined benefit plans, commonly referred to as risk pools, and are administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City has two retirement benefit tiers in the Plans. Membership in the Miscellaneous tier of the retirement system is for all employees hired prior to January 1, 2013. Plan members hired on or after January 1, 2013 and who have no prior membership in any California public retirement system are eligible to participate in the PEPRAs Miscellaneous tier".

Benefits Provided. CalPERS provides service and disability retirement benefits, cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total credited service are eligible to retire at age 50 with statutorily reduced benefits. Members may apply for a non-duty disability retirement benefit after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The provisions and benefits of each plan that were in effect at June 30, 2022, are summarized as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	8.65% + \$1,995	7.59% + \$492

Source: City of Hidden Hills.

California Public Employees’ Pension Reform Act of 2013. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered “Classic” employees. PEPRA, which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation and retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months of compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2% of the average final 12 months of compensation and retirement benefits for Classic safety employees are calculated as 3% of the average final 12 months compensation. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit.

PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index. Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the City’s unfunded pension liability and potentially reduce City contribution levels in the long term.

**CalPERS Pension Compensation Limits for
Calendar Year 2023 (Classic and PEPRA members)**

	Classic	PEPRA
Maximum Pensionable Income	\$330,000	\$175,250 ⁽¹⁾

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$146,042.

Source: CalPERS Payroll Circular Letter dated January 3, 2023.

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate.

Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The City must contribute these amounts. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2022, the City's required contribution to the Plans for the unfunded liability was \$2,487 and the City's contributions to the Plans for the Fiscal Year ended June 30, 2022 were \$36,221.

The actuarially determined normal cost rates and UAL contribution amounts for each Plan for the fiscal years ended June 30, 2022, through June 30, 2024, are as follows:

	<u>Fiscal Year 2021-22</u>		<u>Fiscal Year 2022-23</u>		<u>Fiscal Year 2023-24</u>	
	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of UAL</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of UAL</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of UAL</u>
Miscellaneous	8.65%	\$2,064	8.63%	\$4,445	10.10%	\$0
PEPRA Miscellaneous	7.59	509	7.47	721	7.68	0

Source: CalPERS Actuarial Reports dated July 2020, July 2021, and July 2022.

The City's estimated total contribution amounts (including the required normal cost and UAL contributions) for the Miscellaneous Plan and Safety Plan in June 30, 2022, through June 30, 2024, are as follows:

	<u>Fiscal Year 2021-22</u>	<u>Fiscal Year 2022-23</u>	<u>Fiscal Year 2023-24</u>
Miscellaneous	\$25,065	\$38,990	\$30,229
PEPRA Miscellaneous	6,316	6,722	12,042

Source: CalPERS Actuarial Reports dated July 2020, July 2021, and July 2022.

Projected Employer Contributions. The following tables show the City's actuarially-determined required employer contribution for fiscal year 2023-24 and projected employer contributions (before cost sharing) for fiscal years 2023-25 through 2028-29 for each Plan by normal cost and amortization of the unfunded accrued liability (expressed as a dollar amount). The projections assume a 6.80% annual rate of return for fiscal year 2021-22 and beyond but do not include any reductions in the normal cost that will occur over time as new employees are hired into the PEPRA benefit tier.

Miscellaneous Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
		2023-24	2024-25	2025-26	2026-27	2027-28
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	10.10%	10.1%	10.1%	10.1%	10.1%	10.1%
UAL Payment	\$0	\$0	\$0	\$0	\$0	\$0

PEPRA Miscellaneous Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
		2023-24	2024-25	2025-26	2026-27	2027-28
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	7.68%	7.7%	7.7%	7.7%	7.7%	7.7%
UAL Payment	\$0	\$0	\$0	\$0	\$0	\$0

Source: CalPERS Actuarial Reports dated July 2022.

Funded Status. The following table sets forth the schedule of funding for the Miscellaneous Plan and Safety Plan for the valuation dates of June 30 of the years 2019, 2020 and 2021.

Valuation Date Ended June 30	Accrued Liability	Share of Pool's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
Miscellaneous Plan					
2019	\$2,571,228	\$2,002,306	\$568,922	77.9%	\$234,469
2020	2,652,636	2,562,708	89,928	96.6	262,188
2021	2,781,967	3,010,381	(228,414)	108.2	275,501
PEPRA Miscellaneous Plan					
2019	\$27,999	\$25,795	\$2,204	92.1%	\$70,533
2020	44,903	41,283	3,620	91.9	74,058
2021	77,871	83,513	(5,642)	107.2	144,328

Source: CalPERS Actuarial Reports dated July 2022.

There is a two-year lag between the valuation date and the start of the contribution fiscal year. The UAL was determined in the June 30, 2020 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in fiscal year 2022-23. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

Net Pension Liability/Asset. As of June 30, 2022, the City reported a net pension asset for the Plans of \$395,848. Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00. On November 15, 2021, the CalPERS Board of Administration voted to lower its discount rate from 7.00% to 6.80% for the June 30, 2021 actuarial report.

Investment Performance. CalPERS earnings reports for fiscal years 2011 through 2021 report investment gains of approximately 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, and 21.3% respectively. The CalPERS fiscal year 2020-21 investment gain of 21.3% is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. CalPERS reported a preliminary 7.5% investment loss for fiscal year 2021-22.

Other Post-Employment Benefits

The City provides other post-employment benefits (“**OPEB**”) through a single employer defined benefit healthcare plan by contributing 100% of all premiums charged under the health benefit plan for all eligible employees. These benefits are provided per contract between the City and the employee associations. The City provides the same medical plans to retirees and surviving spouses as to its active employees, with the exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 20 years of covered CalPERS service. The City's contribution on behalf of retirees is the same as for active employees, namely 100% of the medical, dental and vision premiums for the retiree only. Benefits continue for the lifetime of the retiree. The City pays a 0.27% of premium administrative fee on behalf of employees and retirees.

The City's Net OPEB Liability was measured as of June 30, 2022 and the Total OPEB Liability was determined by an actuarial valuation as of July 1, 2020. Standard actuarial update procedures were used to project/discount from valuation to measurement dates. As of June 30, 2022, the City's Net OPEB Liability was \$448,082. The City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, APPENDIX C to the Official Statement and in particular Note 7 thereto, includes information about the City's postemployment eligibility and retiree contribution requirements.

City Investment Policy and Portfolio

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond indentures, or other funds as designated by the City Council or the City Treasurer. Under provisions of the City's investment policy and in accordance with California Government Code Section 53601, the City, subject to certain limits, may invest in the following types of investments: U.S. Treasury Bonds, Notes, Bills and “Strips”; federal agency obligations or U.S. government-sponsored enterprise obligations; repurchase agreements; medium term corporate notes or bonds rated A or above by a nationally recognized statistical rating organization; commercial paper having the highest ranking or number rating by a nationally recognized statistical rating organization; mortgage-backed securities; negotiable certificates of deposit; Local Agency Investment Fund (a State Treasurer's pool) demand deposits; California State or local agency obligations rated BBB or better by a nationally recognized statistical rating organization; passbook savings account demand deposits; shares of beneficial interest issued by a Joint Powers Authority; and shares of beneficial interests issued by money market funds.

Cash and investments at June 30, 2022 in all funds were as follows:

Type	City of Hidden Hills Cash and Investment Portfolio Book Value as of June 30, 2022
California Local Agency Investment Fund	\$2,808,632
Medium-term Notes	849,650
Federal Agency Securities	183,559
Municipal Bonds	8,403,169
Total Investments	<u>12,245,010</u>
Petty Cash	250
Deposits with Financial Institutions	838,145
Total Cash and Investments	\$13,083,405

See also Note 2 to the City’s Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, attached as APPENDIX C for further discussion of City investments.

Population

The following table lists population estimates for the City, the County and the State for the last five calendar years, as of January 1, 2023.

**CITY OF HIDDEN HILLS, LOS ANGELES COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2019 through 2023, as of January 1**

Year (January 1)	City of Hidden Hills	Los Angeles County	State of California
2019	1,897	10,163,139	39,605,361
2020	1,901	10,135,614	39,648,938
2021	1,744	9,942,011	39,286,510
2022	1,745	9,834,503	39,078,674
2023	1,731	9,761,210	38,940,231

Source: California State Department of Finance.

Employment and Industry

The City is included in the Los Angeles-Long Beach-Glendale Metropolitan Division (“MD”). The seasonally adjusted unemployment rate in the County increased over the month to 5.0% in March 2023 from a revised 4.9% in February 2023 and was below the rate of 5.3% a year ago. Civilian employment increased by 9,000 to 4,734,000 in March 2023, while unemployment increased by 3,000 to 248,000 over the month. The civilian labor force increased by 12,000 over the month to 4,982,000 in March 2023. All of the above figures are seasonally adjusted. The unadjusted unemployment rate for the County was 5.0% in March 2023.

The California seasonally adjusted unemployment rate was 4.4% in March 2023, 4.4% in February 2023, and 4.4% a year ago in March 2022. The comparable estimates for the nation were 3.5% in March 2023, 3.6% in February 2023, and 3.6% a year ago.

The table below list employment by industry group for Los Angeles County for the years 2017 to 2021.

**LOS ANGELES-LONG BEACH-GLENDALE MD
(LOS ANGELES COUNTY)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2021 Benchmark)**

	2017	2018	2019	2020	2021
Civilian Labor Force	5,109,800	5,121,300	5,153,100	4,968,900	4,994,100
Employment	4,864,100	4,885,300	4,926,100	4,355,900	4,548,900
Unemployment	245,700	235,900	227,000	613,000	445,200
Unemployment Rate	4.8%	4.6%	4.4%	12.3%	8.9%
<u>Wage and Salary Employment: ⁽¹⁾</u>					
Agriculture	5,700	4,600	4,400	4,400	4,600
Mining and Logging	2,000	1,900	1,900	1,700	1,600
Construction	138,700	146,300	149,800	146,500	149,800
Manufacturing	350,400	342,600	340,700	315,100	311,700
Wholesale Trade	221,500	223,200	220,500	200,000	202,000
Retail Trade	425,900	424,600	417,700	380,200	401,400
Trans., Warehousing, Utilities	198,200	203,600	212,900	207,800	214,200
Information	214,000	214,700	215,300	191,000	213,200
Financial and Insurance	137,500	136,500	135,300	131,700	127,600
Real Estate, Rental & Leasing	84,100	86,700	88,200	80,800	83,200
Professional and Business Services	613,200	632,300	647,000	599,800	629,500
Educational and Health Services	797,400	817,900	839,900	820,300	839,600
Leisure and Hospitality	524,600	536,500	547,200	393,500	429,300
Other Services	155,700	158,800	158,400	128,700	134,100
Federal Government	48,000	47,300	47,300	50,200	47,600
State Government	92,500	91,700	86,500	89,000	89,200
Local Government	445,600	451,600	453,000	431,000	421,400
Total All Industries ⁽²⁾	4,455,000	4,520,700	4,566,100	4,171,700	4,300,000

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

(2) May not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The City is entirely residential in nature. The following table lists the largest manufacturing and non-manufacturing employers within the County as of May 2023, in alphabetical order.

LOS ANGELES COUNTY Largest Employers May 2023

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
California State Univ NRTHRDG	Northridge	Schools-Universities & Colleges Academic
Cedars-Sinai Health System	West Hollywood	Health Care Management
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
Lac & USC Medical Ctr	Los Angeles	Medical Centers
Live Nation	Los Angeles	Entertainment Bureaus
Long Beach City Hall	Long Beach	City Hall
Longshore Dispatch	Wilmington	Nonclassified Establishments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
National Institutes of Health	Pasadena	Physicians & Surgeons
Security Industry Specialist	Culver City	Security Systems Consultants
Six Flags	Valencia	Amusement & Theme Parks
Sony Pictures Entrtn Inc	Culver City	Motion Picture Producers & Studios
Space Exploration Tech Corp	Hawthorne	Aerospace Industries (mfrs)
Twentieth Century Fox	Los Angeles	Motion Picture Producers & Studios
UCLA Community Based Learning	Los Angeles	Junior-Community College-Tech Institutes
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	University-College Dept/Facility/Office
Vision X	Los Angeles	Call Centers
Walt Disney Co	Burbank	Water Parks
Water Garden Management	Santa Monica	Office Buildings & Parks

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2023 2nd edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income and the median household effective buying income for the City, the County, the State and the United States for the period 2019 through 2023.

**CITY OF HIDDEN HILLS, LOS ANGELES COUNTY, THE STATE OF CALIFORNIA
AND THE UNITED STATES
Effective Buying Income and Median Household
As of January 1, 2019 through 2023**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2019	City of Hidden Hills	\$142,924	\$197,561
	Los Angeles County	271,483,825	56,831
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Hidden Hills	\$135,322	\$163,942
	Los Angeles County	281,835,290	60,174
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Hidden Hills	\$141,511	\$186,607
	Los Angeles County	289,720,470	62,353
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Hidden Hills	\$154,491	\$233,108
	Los Angeles County	327,445,237	71,404
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Hidden Hills	\$153,526	\$233,784
	Los Angeles County	332,188,114	71,057
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326

Source: Claritas, LLC.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF HIDDEN HILLS Total Building Permit Valuations (Valuations in Thousands)

	2017	2018	2019	2020	2021
<u>Permit Valuation</u>					
New Single-family	\$9,222.7	\$47,155.7	\$10,840.3	\$3,605.1	\$7,311.6
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>4,875.6</u>	<u>4,232.1</u>	<u>3,056.4</u>	<u>2,460.2</u>	<u>2,888.5</u>
Total Residential	14,098.3	51,387.8	13,896.7	6,065.3	10,200.1
New Commercial	124.1	317.4	0.0	30.3	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	567.1	701.6	565.4	459.7	309.4
Com. Alterations/Additions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Nonresidential	691.2	1,019.0	565.4	490.0	309.4
<u>New Dwelling Units</u>					
Single Family	5	11	9	3	9
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	5	11	9	3	9

Source: Construction Industry Research Board, Building Permit Summary.

LOS ANGELES COUNTY Total Building Permit Valuations (Valuations in Thousands)

	2017	2018	2019	2020	2021
<u>Permit Valuation</u>					
New Single-family	\$2,352,614.8	\$2,277,101.5	\$1,967,219.3	\$1,874,304.5	\$2,085,629.2
New Multi-family	3,257,833.4	3,222,530.3	2,961,257.4	2,789,673.9	3,026,725.8
Res. Alterations/Additions	<u>1,757,904.1</u>	<u>1,941,369.5</u>	<u>1,625,839.3</u>	<u>1,014,422.1</u>	<u>908,148.2</u>
Total Residential	7,368,352.3	7,441,001.3	6,554,316.0	5,678,400.5	6,020,503.2
New Commercial	2,196,089.2	2,844,173.0	2,675,678.8	1,885,027.0	577,756.7
New Industrial	134,534.3	101,201.3	63,737.8	32,196.2	27,844.8
New Other	563,679.3	952,347.7	446,182.7	354,758.2	311,726.3
Com. Alterations/Additions	<u>3,143,200.2</u>	<u>2,796,375.3</u>	<u>3,404,012.4</u>	<u>1,241,068.1</u>	<u>946,020.7</u>
Total Nonresidential	6,037,503.0	6,694,097.3	6,589,611.7	3,513,049.5	1,863,348.5
<u>New Dwelling Units</u>					
Single Family	5,456	6,070	5,738	6,198	7,327
Multiple Family	<u>17,023</u>	<u>17,152</u>	<u>15,884</u>	<u>14,056</u>	<u>16,718</u>
TOTAL	22,479	23,222	21,622	20,254	24,045

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

Interstate Highway 5, Interstate Highway 405, Interstate 10, the Pacific Coast Highway and Highway 101 all provide access to neighboring cities and the entire Los Angeles County.

The City is located about 35 miles from the Los Angeles International Airport, 25 miles from Hollywood Burbank Airport and 14 miles from Van Nuys Airport. The Ports of Long Beach and Los Angeles are located 52 miles and 50 miles from the City, respectively. The City is 30 miles from the Union Station in downtown Los Angeles. Union Station is the busiest train station in the western United States and the fifth-busiest Amtrak station, serving almost 110,000 passengers a day. Union Station is the hub of the Metrolink, a commuter rail system in Southern California, serving Los Angeles, Orange, Riverside, San Bernadino and Ventura Counties as well as to Oceanside in San Diego County. Union Station also is a major transfer point for several Metro Rail subway and light rail lines. The Patsaouras Transit Plaza, on the east side of the station, serves numerous bus lines operated by the Los Angeles County Metropolitan Transportation Authority and several other municipal carriers.

APPENDIX B
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

APPENDIX D
PROPOSED FORM OF FINAL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF HIDDEN HILLS
2023 Certificates of Participation
(Broadband Financing Project)

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the CITY OF HIDDEN HILLS (the “City”) in connection with the execution and delivery of the certificates of participation captioned above (together, the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2023 (the “Trust Agreement”), by and among the City, the Public Property Financing Corporation of California, and U.S. Bank Trust Company, National Association, as 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 for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is nine months after the end of the City’s fiscal year (currently April 1 based on the City’s fiscal year end of June 30).

“Dissemination Agent” means the City, 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” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Certificates.

“Participating Underwriter” means _____, the original purchaser of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2024, with the report for the 2022-23 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if 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(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall, in a timely manner, provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice of failure to file an Annual Report.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; 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, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements 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 Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) The adopted budget of the City for the then-current fiscal year, or a summary of budgeted general fund revenues and appropriations for the then-current fiscal year.

(ii) A summary of the aggregate amount of, final maturity date for, and debt service or lease payments for the then-current year with respect to any debt or obligations payable from the City's general fund issued or incurred in the then-current fiscal year (if and to the extent not included in the audited financial statements or adopted budget of the City contained in the City's Annual Report).

(iii) The aggregate assessed valuation of taxable property in the City for the then-current fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

- (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 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 security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.

- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (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 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 or an obligated person, any of which affect security holders, if material.
- (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) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. 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, if the City has received an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in, or official interpretation of, the Rule.

Section 10. 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 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates 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 Trust Agreement, 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 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) 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 they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Certificate holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2023

CITY OF HIDDEN HILLS

By: _____
Name: _____
Title: _____

APPENDIX F

BOOK-ENTRY PROVISIONS

The following description of the Depository Trust Company, New York, New York (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments with respect to the Certificates to DTC Direct and Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, DTC’s Direct and Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC’s Direct and Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or DTC’s Direct and Indirect Participants, as the case may be.

*Neither the issuer of the Certificates (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC’s Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC’s Direct Participants or 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’s Direct Participants and Indirect Participants are on file with DTC.

1. DTC will act as securities depository for the securities (the “**Securities**”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.