Item No. 19
Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

TO: **HONORABLE MAYOR AND CITY COUNCIL**

FROM: **GEORGE RODERICKS, CITY MANAGER**
ROBERT BARRON III, FINANCE DIRECTOR

DATE: **MAY 20, 2020**

SUBJECT: **AUTHORIZATION OF THE EXECUTION, DELIVERY OF A LEASE AGREEMENT AND SITE LEASE TO FINANCE THE TOWN CENTER PROJECT, APPROVAL OF RELATED DOCUMENTS AND ACTIONS, AND APPROVAL OF PROFESSIONAL SERVICES WITH JONES HALL**

RECOMMENDATION

Adopt a Resolution of the City Council of the Town of Atherton authorizing the execution, delivery of a Lease Agreement and Site Lease to finance the Town Center Project, approving related documents and actions, and approving professional services with Jones Hall.

BACKGROUND

The Town of Atherton (the "Town") has begun construction of the Town Center Project, constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project"). In order to provide approximately $7.50 million to facilitate cash flow and partially pay for costs of the Project, the Town will lease certain real property initially consisting generally of the Holbrook-Palmer Park and the land on which the Project will be located (the "Leased Property"), to the Public Property Financing Corporation of California (the "Corporation") under a **Site Lease** in consideration of the payment of an upfront rental payment (the "Site Lease Payment") of approximately $7.68 million (consisting of $7.5 million in project proceeds plus $180,000 in costs of issuance); and the Corporation has proposed to sublease the Leased Property back to the Town under a **Lease Agreement** in consideration of the agreement by the Town to pay semiannual lease payments paid out of the General Fund (the "Lease Payments"). The Corporation will assign its right to receive the Lease Payments directly to Capital One Public Funding, LLC (the "Bank"), under an **Assignment Agreement**, and in consideration of such assignment, the Bank will provide the Corporation with the funds required to pay the Site Lease Payment to the Town. Upon completion of the Project, the Town plans to release the Holbrook-Palmer Park from the Leased Property, subject to certain conditions in the Lease Agreement.

The Corporation is a non-profit public benefit corporation duly organized and existing under the laws of the State. The Corporation was created for the purpose, among others, of providing assistance to public agencies that wish to finance public improvements. The Corporation is unrelated to the Town and has agreed to act as the counterparty to the Site Lease and the Lease Agreement in exchange for a nominal fee.

At the January 15, 2020 City Council Meeting, the City Council authorized staff to engage Bond Counsel and Underwriting/Placement Agent financing team members to complete the financing. Since January, the financing team, in coordination with Town staff and the Town's Municipal Advisor, has been preparing the financing and legal documents and taking required steps to complete the financing, with the goal of closing in June 2020.

Interest rates have been very volatile due to the COVID-19 pandemic. During the month of March, the municipal market was severely disrupted with benchmark yields increasing at one point as much as 200 basis points. Markets have since begun to stabilize, but there remains considerable interest rate risk as the bond market and global economy attempts to navigate the unprecedented effects of COVID-19. Due to current market volatility, the financing team has been concurrently working on a private placement option and a public sale option for the financing.

ANALYSIS

On April 13, 2020, Stifel, Nicolaus & Company solicited bids from 25 banks for a private placement transaction. After receiving three bids on April 30, ranging from 2.20% to 2.77%, the financing team evaluated the lowest bid against indicative public offering rates. A presentation to the Finance Subcommittee was made on May 4, 2020 summarizing the bid results and supporting analysis, with further discussion at the City Council's May 6, 2020 Study Session.

The Bank submitted the lowest bid at 2.20%, for a borrowing amount of up to $9 million, with a 5-year par call option, and did not require onerous covenants. Based on the Bank rate of 2.20%, and assuming $7.50 million in project proceeds, average annual debt service is estimated to be approximately $860,000.

After completing an evaluation of the Bank bid against indicative public rates, Council gave direction to staff and the financing team to execute a term sheet and pursue a private placement with the Bank in order to lock in the rate and mitigate interest rate risk. The Bank is ready to proceed with full credit approval and closing of the transaction after Council adoption of the Resolution. A non-binding term sheet, consistent with what was presented to the Council on May 6, was executed on May 8, 2020, which is subject to Council approval tonight.

Documents to be Approved

The Resolution approves all documents and actions needed to authorize the execution and delivery of a Lease Agreement and Site Lease to finance a portion of the Town Center Project, including approval of professional services with Jones Hall and the following substantially final form financing documents, together with any changes or additions deemed advisable and approved by

authorized staff:

- Site Lease between the Town as lessor and the Corporation as lessee, whereby the Town leases the Leased Property to the Corporation in consideration of the payment by the Corporation to the Town of an upfront rental payment of approximately $7.68 million.

- Lease Agreement between the Corporation as lessor and the Town as lessee, whereby the Corporation subleases the Leased Property back to the Town in consideration of the payment by the Town of semiannual Lease Payments.

- Purchaser's Term Sheet between the Town and Capital One Public Funding, LLC summarizing various terms of the agreement, including interest rate, repayment terms, prepayment options, closing date, and covenants including annual reporting requirements.

- Placement Agent Agreement between the Town and Stifel, Nicolaus & Company, Inc. (the "Placement Agent") containing the description of Placement Agent services provided by Stifel, Nicolaus & Company, Inc., the term of the agreement, compensation, and expense reimbursement.

As an alternative to a private placement, staff is also requesting authorization for a public sale of Certificates of Participation ("COPs"), each evidencing a direct, undivided fractional interest in the Lease Payments to be made by the Town under the Lease Agreement, and approval of the following additional final form documents, in the remote case that the private placement is not able to close:

- Trust Agreement among the City, the Corporation and The Bank of New York Mellon Trust Company, as trustee (the "Trustee"), whereby the Trustee agrees to execute and deliver the COPs, and which sets forth the material terms and provisions relating to the COPs.

- Preliminary Official Statement pursuant to which the COPs would be offered for purchase by the public and must contain all facts material to the COPs and the Town (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any such material facts. The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the Town's financing team. The distribution of the Preliminary Official Statement by the Town is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the COPs. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the COPs. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the COPs, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the Town's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the COPs, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

- Certificate Purchase Agreement between the Town and the underwriter Stifel, Nicolaus & Company, Inc., pursuant to the terms and provisions of which the COPs would be sold with a negotiated method of sale, such terms and provisions including a true interest cost of the COPs not to exceed 2.70% and the underwriter's discount not to exceed 0.65% of the par amount of the COPs.

POLICY ISSUES

The Town does not have a history of debt. Most agencies will enter into short- or long-term debt for large structural capital projects that exceed their budget constraints. Typical facilities financed via COPs include administration buildings, water and sewer systems, public safety facilities, schools, parking garages, etc. While the Town is fortunate to have cash on hand, donations, and projected revenues to complete its most significant capital infrastructure project, that cash will not be fully realized until the project is complete. This creates a cash flow burden on the Town's General Fund and triggers the need for a COP. Staff has explored a dual track process of public and private placement financing. Tonight's authorization will allow the Town to proceed with cash flow financing of approximately $7.5 million in project proceeds. This is a historic milestone in the Town's almost 100-year history of incorporation.

FISCAL IMPACT

Based on $7.50 million in project proceeds and assuming execution at the Bank rate of 2.20%, average annual debt service is estimated to be approximately $860,000 with a True Interest Cost of 2.20%. Total debt service through the final maturity on 6/1/2030 would be $8.59 million. If the Town prepays the Lease Payments on 6/1/2025, debt service to the call date of 6/1/2025 would be approximately $8.3 million. The source of repayment for the debt service is the Town's General Fund.

In accordance with California Government Code Section 5852.1, good faith estimates are provided with respect to the lease financing in Exhibit A.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service provides (water, power, and sewer), and regional elected officials. The Town maintains an active and up to date Project Website at http://ca-atherton.civicplus.com/index.aspx?NID=290.

ATTACHMENTS:

1. Exhibit A: Good Faith Estimates
2. City Council Resolution __
3. Site Lease
4. Lease Agreement
5. Assignment Agreement
6. Purchaser's Term Sheet
7. Placement Agent Agreement
8. Trust Agreement
9. Preliminary Official Statement
10. Certificate Purchase Agreement

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Lease Agreement in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Town by Urban Futures, Inc., as municipal advisor to the Town (the "Municipal Advisor"), with respect to the lease financing to be accomplished through the Lease Agreement.

Principal Amount. The Municipal Advisor has informed the Town that, based on the Town's financing plan and current market conditions, its good faith estimate of the aggregate original amount of the principal components of the lease payments (the "Lease Payments") to be made under the Lease Agreement is $7,680,000 (the "Original Principal Amount").

True Interest Cost of the Lease Financing. The Municipal Advisor has informed the Town that, assuming the Original Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the lease financing, which means the rate necessary to discount the amounts payable on the respective principal and interest component dates of the Lease Payments to the Original Principal Amount, is 2.20%.

Finance Charge of the Lease Financing. The Municipal Advisor has informed the Town that, assuming the Original Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the lease financing, which means the sum of all fees and charges paid to third parties (or costs associated with the Lease Agreement), is $180,000.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Town that, assuming the Original Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Town, less the finance charge of the lease financing, as estimated above, and any reserve fund funded with proceeds of the lease financing, is $7,500,000.

Total Payment Amount. The Municipal Advisor has informed the Town that, assuming the Original Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all Lease Payments the Town will make, plus the finance charge for the lease financing, as described above, not paid with the proceeds expected to be received by the Town, calculated to the final Lease Payment date, is $8,594,907.

The foregoing estimates constitute good faith estimates only. The actual Original Principal Amount, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual closing date being different than the date assumed for purposes of such estimates, (b) the actual original principal amount being different from the Original Principal Amount, (c) the actual principal and interest components of the Lease Payments being different than the principal and interest components of the Lease Payments assumed for purposes of such

estimates, (d) the actual market interest rates being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Town's financing plan, or a combination of such factors. The actual closing date of the Lease Agreement and the actual original principal amount will be determined by the Town based on the timing of the need for proceeds and other factors. Market interest rates are affected by economic and other factors beyond the control of the Town.

RESOLUTION NO. 20-__

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ATHERTON AUTHORIZING THE EXECUTION, DELIVERY OF A LEASE AGREEMENT AND SITE LEASE TO FINANCE THE TOWN CENTER PROJECT, APPROVING RELATED DOCUMENTS AND ACTIONS, AND APPROVING PROFESSIONAL SERVICES WITH JONES HALL

WHEREAS, the Town of Atherton (the "Town") wishes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project"); and

WHEREAS, in order to provide funds to finance the Project, the Town proposes to lease certain real property and improvements, initially consisting generally of the Holbrook-Palmer Park and the Town's existing civic center, including land and improvements (the "Leased Property"), to the Public Property Financing Corporation of California (the "Corporation") under a Site Lease in consideration of the payment of an upfront rental payment in an amount which is sufficient to finance the Project, and the Corporation has proposed to sublease the Leased Property back to the Town under a Lease Agreement in consideration of the agreement by the Town to pay semiannual lease payments (the "Lease Payments"); and

WHEREAS, in order to raise the funds needed to pay the upfront lease payment under the Site Lease to the Town, the Corporation will assign certain of its rights under the Site Lease and the Lease Agreement, including its right to receive the Lease Payments to Capital One Public Funding, LLC (the "Lender") under an Assignment Agreement between the Corporation and the Lender (the "Assignment Agreement"); and

WHEREAS, the City Council wishes at this time to authorize and approve all proceedings for the financing of the Project, authorize and direct the execution of the Lease agreement, and Site lease, and approve the assignment of the Lease Payments to the Lender under the Assignment Agreement for such purpose, and all related documents and actions, in furtherance of the public purposes of the Town; and

WHEREAS, pursuant to Government Code Section 5852.1 which became effective on January 1, 2018, by the enactment of Senate Bill 450, certain financial information relating to the proposed financing has been included in the staff report prepared for this Resolution, and such information has been disclosed and made public; and

WHEREAS, the City Council has previously approved a Debt Issuance and Management Policy which complies with Government Code Section 8855, and the delivery of the Certificates will be in compliance with said policy;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the Town of Atherton as follows:

Section 1. Approval of Financing Plan and Related Documents. The recitals above are hereby incorporated as though fully set forth herein and the City Council hereby approves the financing plan outlined above. To that end, the City Council hereby approves each of the following financing documents in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable and approved by the Mayor or the City Manager (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of such approval; provided, however, that no such changes or additions may authorize the principal amount represented by the Lease Payments to exceed $9,000,000, and the true interest of cost of the lease financing shall not exceed 2.70%:

- Site Lease between the Town as lessor and the Corporation as lessee, whereby the Town leases the Leased Property to the Corporation in consideration of the payment by the Corporation to the Town of an upfront rental payment which is sufficient to enable the Town to acquire and construct the Projects and to pay related financing costs.

- Lease Agreement between the Corporation as lessor and the Town as lessee, whereby the Corporation subleases the Leased Property back to the Town in consideration of the payment by the Town of semiannual Lease Payments.

Each Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Town to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of each of the foregoing documents.

Section 2. Approval of Term Sheet; Assignment of Rights. The Term Sheet (the "Term Sheet") in substantially the form on file with the City Clerk, providing the terms upon which the Lease Payments may be assigned to the Lender, is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of Town, to execute and deliver the Term Sheet, in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The City Council hereby approves the assignment by the Corporation to the Lender of certain of its rights under the Lease Agreement and the Site Lease, including the right to receive and enforce the payments to be made by the Town under the Lease Agreement, pursuant to the Assignment Agreement.

Section 3. Approval of Placement Agreement. The City Council hereby appoints Stifel, Nicolaus & Company, Inc. to serve as placement agent (in such capacity, the "Placement Agent"). The City Council hereby approves the Placement Agent Engagement Agreement, in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable and approved by an Authorized Officer, whose execution thereof shall be conclusive evidence of such approval.

Section 4. Public Sale of Certificates. As an alternative to the assignment of the Lease Payments to the Lender under the Assignment Agreement pursuant to Section 2 above, the funds needed to pay the upfront lease payment under the Site Lease to the Town to finance the Project may be raised through a negotiated underwriting of certificates of participation, each evidencing a direct, undivided fractional interest in the Lease Payments (the "Certificates"), the proceeds of which will be applied to finance the Project, as provided in a Trust Agreement among the Corporation, the Town and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), if a negotiated underwriting is determined by the Authorized Officers, upon consultation with Urban Futures, Inc., the Town's Municipal Advisor, to be more beneficial to the Town.

The City Council hereby approves the sale of the Certificates on a negotiated basis to Stifel, Nicolaus & Company, Inc. (in such capacity, the "Underwriter"), to act as underwriter if the Certificates are sold in a negotiated underwriting. If the Authorized Officers make the determination that the Certificates should be sold in a negotiated underwriting to the Underwriter, the Certificates shall be sold pursuant to the terms and provisions of a Certificate Purchase Agreement (the "Purchase Agreement") between the Town and the Underwriter. In such an event, (i) each Authorized Officer, acting alone, is hereby authorized and directed to execute and deliver the Purchase Agreement for and in the name and on behalf of the Town, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto deemed advisable and approved by an Authorized Officer, whose execution thereof shall be conclusive evidence of such approval, and (ii) the City Council authorizes the delivery and performance of the Purchase Agreement; provided that (i) the aggregate principal amount of the Certificates shall not exceed $9,000,000, (ii) the Certificates shall be sold at a true interest cost of not to exceed 2.70%, and (iii) the Underwriter's discount on the sale of the Certificates shall not exceed 0.65% of the par amount thereof.

Section 5. Official Statement. The City Council hereby approves the preliminary Official Statement describing the Certificates in substantially the form on file with the City Clerk if it is determined that the Certificates should be sold on

a negotiated basis to the Underwriter. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to the preliminary Official Statement and to execute an appropriate certificate stating the Authorized Officer's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, if it is determined that the Certificates should be sold on a negotiated basis to the Underwriter. Distribution of the preliminary Official Statement to prospective purchasers of the Certificates is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed in the name and on behalf of the Town by an Authorized Officer.

Section 6. Engagement of Professional Services. The City Council hereby approves the engagement for special counsel and disclosure counsel services with the firm of Jones Hall, A Professional Law Corporation, pursuant to an agreement between the Town and said firm in the form on file with the City Clerk.

Section 7. Official Actions. The Mayor, the City Manager, the Finance Director, the City Clerk and all other officers of the Town are each authorized and directed in the name and on behalf of the Town to make any and all assignments, certificates, requisitions, agreements, notices, consents, leases, project fund escrow agreements, and other instruments of conveyance, warrants, termination and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including without limitation selecting a different private placement bank in order to raise the funds needed to pay the upfront lease payment under the Site Lease to the Town or determining to sell the Certificates through a negotiated underwriting, and any such actions heretofore taken by such officers in connection therewith are hereby ratified, confirmed and approved. Whenever in this resolution any officer of the Town is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated in writing by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 8. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the Town of Atherton on May 20, 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Rick DeGolia, Mayor

ATTEST:

Anthony Suber, City Clerk

RECORDING REQUESTED BY:
Stewart Title Guaranty Company

AND WHEN RECORDED
RETURN TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Juan M. Galvan, Esq.

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

SITE LEASE

This SITE LEASE (this "Site Lease"), dated as of June 1, 2020, is between the TOWN OF ATHERTON, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "Town"), and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation").

B A C K G R O U N D :

1. The Town wishes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project").

2. In order to provide funds to finance a portion of the Project, the Corporation and the Town have entered into this Site Lease, whereby the Town leases to the Corporation certain land and improvements initially consisting generally of the Holbrook-Palmer Park and the land on which the Project will be located (which is the site of the Town's previous City Hall), as described more fully in Appendix A hereto (the "Leased Property"), and the Corporation will lease the Leased Property back to the Town under a Lease Agreement dated as of June 1, 2020, which has been recorded concurrently herewith (the "Lease"), in consideration of the payment by the Town of semiannual lease payments.

3. The Corporation has assigned its right to receive lease payments under the Lease to Capital One Public Funding, LLC, and its successors and assigns (the "Bank") under an Assignment Agreement dated as of June 1, 2020, between the Corporation and the Bank, which has been recorded concurrently herewith.

4. The Town is authorized to enter into a lease-leaseback arrangement with the Corporation under Section 37350 of the California Government Code.

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the Town and the Corporation formally covenant, agree and bind themselves as follows:

SECTION 1. *Lease of Leased Property.* The Town hereby leases to the Corporation, and the Corporation hereby leases from the Town, the Leased Property as described more fully in Appendix A, on the terms and conditions hereinafter set forth.

SECTION 2. *Term; Possession*. The term of this Site Lease commences, and the Corporation shall become entitled to possession of the Leased Property, as of the date of recordation hereof. This Site Lease ends, and the right of the Corporation hereunder to possession of the Leased Property thereupon ceases, on the date on which the Lease is discharged in accordance with Section 4.2 thereof , or provision is made for such payment in accordance with Section 9.1 thereof.

SECTION 3. *Rental*. The Corporation shall pay to the Town as and for rental of the Leased Property hereunder the amount of $_____ to be paid on or before the date of execution and delivery hereof (the "Site Lease Payment"). The Corporation and the Town hereby find and determine that the total amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Leased Property which is conveyed hereunder by the Town to the Corporation. No other amount of rental is due and payable by the Corporation for the use and occupancy of the Leased Property under this Site Lease.

The Town shall cause a portion of the Site Lease Payment be deposited into the Project Fund which is established under the Project Fund Escrow Agreement, to be applied to finance the Project in accordance with the Lease and the Project Fund Escrow Agreement. In addition, the Corporation shall cause a portion of the Site Lease Payment to be deposited as required under the Lease into the Costs of Issuance Fund and to cause to paid all Costs of Issuance.

SECTION 4. *Lease Back to Town*. The purpose for which the Town agrees to lease the Leased Property to the Corporation hereunder is to enable the Town to finance the acquisition, construction and improvement of the Project from the rental payment made to it by the Corporation under Section 3. The Corporation hereby agrees to lease the Leased Property back to the Town under the Lease.

SECTION 5. *Assignments and Subleases*. Unless the Town is in default under the Lease, the Corporation may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Assignment Agreement and the Lease, without the prior written consent of the Town.

SECTION 6. *Substitution or Release of Property*. If the Town exercises its option under Section 4.6 of the Lease to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the Town exercises its option under Section 4.7 of the Lease

to release a portion of the Leased Property from the Lease, including the release of the Holbrook-Palmer Park upon completion of the Project under Section 4.7(ii) of the Lease, such release shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased under the Lease shall conform at all times to the description of the Leased Property which is leased hereunder.

SECTION 7. *Right of Entry*. The Town reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination*. The Corporation agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property will remain thereon and title thereto will vest thereupon in the Town for no additional consideration.

SECTION 9. *Default*. If the Corporation defaults in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Corporation, the Town may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease shall be deemed to occur as a result thereof and this Site Lease may not be terminated by the Town as a remedy for such default. Notwithstanding the foregoing, so long as the Lease remains in effect, the Town shall continue to pay the Lease Payments to the Bank.

SECTION 10. *Amendments.* The Corporation and the Town may at any time amend or modify any of the provisions of this Site Lease, but only with the prior written consent of the Bank; provided, however, that no consent of the Bank shall be required to any release of property as permitted by Section 4.7(ii) of the Lease,

SECTION 11. *Quiet Enjoyment*. The Corporation at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property, subject to the provisions of the Lease and subject only to Permitted Encumbrances.

SECTION 12. *Waiver of Personal Liability*. All liabilities under this Site Lease on the part of the Corporation are solely corporate liabilities of the Corporation, and the Town hereby releases each and every member and officer of the Corporation of and from any personal or individual liability under this Site Lease. No member or officer of the Corporation or its governing board is at any time or under any circumstances individually or personally liable under this Site Lease for anything done or omitted to be done by the Corporation hereunder.

SECTION 13. *Taxes*. The Town will pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 14. *Eminent Domain*. If the whole or any part of the Leased Property, or any improvements thereon, are taken by eminent domain proceedings, the interest of the Corporation will be the aggregate amount of the then unpaid principal components of the

Lease Payments payable under the Lease and the balance of the award, if any, will be paid to the Town. The Town hereby waives any and all rights that it has or may hereafter have to acquire the interest of the Corporation in and to the Leased Property through the eminent domain powers of the Town.

SECTION 15. *Partial Invalidity*. If any one or more of the terms, provisions, covenants or conditions of this Site Lease are to any extent declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease will be affected thereby, and each provision of this Site Lease will be valid and enforceable to the fullest extent permitted by law.

SECTION 16. *Notices*. Any notice, request, complaint, demand or other communication under this Site Lease must be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication confirmed by telephone, at its number set forth below. Notice will be effective upon actual receipt. The Town, the Corporation and the Bank may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Town:	Town of Atherton 150 Watkins Avenue Atherton, California 94027 Attention: Finance Director Fax: (650)752-0552
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: Chief Executive Officer
If to the Bank:	Capital One Public Funding, LLC

SECTION 17. *Governing Law*. This Site Lease is governed by the laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Bank is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 19. *Binding Effect*. This Site Lease inures to the benefit of and is binding upon the Corporation, the Town and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Severability of Invalid Provisions*. If any one or more of the provisions contained in this Site Lease are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Site Lease and such invalidity, illegality or unenforceability shall not affect any other provision of this Site Lease, and this Site Lease

shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the Town each hereby declares that it would have entered into this Site Lease and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Site Lease may be held illegal, invalid or unenforceable.

SECTION 21. *Section Headings*. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 22. *Execution in Counterparts*. This Site Lease may be executed in any number of counterparts, each of which is an original but all together constitute one and the same instrument. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Corporation and the Town, all with the same force and effect as though the same counterpart had been executed by both the Corporation and the Town.

SECTION 23. *Defined Terms*. All capitalized terms used herein and not otherwise defined have the respective meanings given those terms in the Lease.

IN WITNESS WHEREOF, the Town and the Corporation have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

TOWN OF ATHERTON, *as lessor*

By _____
Mayor

Attest:

_____
City Clerk

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, *as lessee*

By _____
Treasurer

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The property constituting the Leased Property consists of the land located in the Town of Atherton, County of San Mateo, State of California, which is described as follows, including all buildings, improvements and facilities at any time situated thereon.

HOLBROOK-PALMER PARK

Lots 5 and 6, as designated on the map entitled "Map of Villa Lots at Fair Oaks", which map was filed in the Office of the Recorder of the County of San Mateo, State of California, April 29, 1868, in Volume "C" of Maps Page 31 and a copy thereof entered in Volume 1 of Maps at Page 87.

Excepting therefrom so much thereof as may lie within the bounds of Watkins Avenue as same was conveyed by Charles Holbrook et al to the County of San Mateo by deed dated November 15, 1913 and recorded January 4, 1915 in Volume 237 of Deeds at Page 351, Records of San Mateo County, California.

APN: 061-310-100

THE PROJECT (TOWN CENTER PROJECT)

Lot 1, as shown on that certain map entitled "Parcel Map No. TOA 18-01" Atherton Civic Center, filed on July 2, 2019 in Volume 84 of Parcel Maps Pages 76 through 78, inclusive, San Mateo County Records.

APN: 060-321-220 (New, not yet assessed)

Formerly (Old) "060-321-130, 060-321-010, 060-321-160, Portion of 060-321-170, 060-323-180 and 060-323-010"

RECORDING REQUESTED BY:
Stewart Title Guaranty Company

AND WHEN RECORDED
RETURN TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Juan M. Galvan, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

Dated as of June 1, 2020

between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA
as lessor

and the

TOWN OF ATHERTON
as lessee

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APPENDIX A DESCRIPTION OF THE LEASED PROPERTY
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LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease"), dated as of June 1, 2020, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lessor, and the TOWN OF ATHERTON, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "Town"), as lessee.

B A C K G R O U N D :

1. The Town wishes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project").

2. In order to provide funds to finance a portion of the Project, the Corporation and the Town have entered into a Site Lease dated as of June 1, 2020, which has been recorded concurrently herewith (the "Site Lease"), whereby the Town has leased to the Corporation certain land and improvements initially consisting generally of the Holbrook-Palmer Park and the land on which the Project will be located (which is the site of the Town's previous City Hall), as more fully described in Appendix A hereto (the "Leased Property"), and the Corporation has agreed to lease the Leased Property back to the Town under this Lease in consideration of the payment by the Town of semiannual lease payments.

3. The Corporation has assigned its right to receive lease payments under this Lease to Capital One Public Funding, LLC (the "Bank") under an Assignment Agreement (the "Assignment Agreement"), between the Corporation and the Assignee to obtain the necessary funds to make the upfront rental payment under the Site Lease; and .

4. The Town is authorized to enter into a lease-leaseback arrangement with the Corporation under Section 37350 of the California Government Code.

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the Town and the Corporation formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the terms defined in this Section 1.01 shall have the meanings

herein specified for all purposes of this Property Lease, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined.

"Additional Payments" means the amounts payable by the Town under Section 4.4 of this Lease.

"Assignment Agreement" means the Assignment Agreement dated as of June 1, 2020, between the Corporation as assignor and the Bank as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

"Bank" means Capital One Public Funding, LLC, together with its successors and assigns.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which the principal office of the Bank is located.

"Closing Date" means June __, 2020, the date of execution of this Lease.

"Completion Date" means, with respect to the Project, the date identified as the date of completion thereof in the written certificate of a Town Representative under Section 3.3 of this Lease.

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

"Corporation Representative" means the Chairperson, Treasurer or Executive Director of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to this Lease.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Town or the Corporation relating to the execution and delivery of this Lease, the Site Lease and the Assignment Agreement, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees.

"Costs of Issuance Fund" means the fund by that name to be established and held by the Custodian pursuant to the Costs of Issuance Custodian Agreement.

"Costs of Issuance Custodian Agreement" means that certain Costs of Issuance Custodian Agreement dated as of June [11], 2020, by and between the Town and _____, as Custodian.

"Custodian" means _____, as Custodian under the Costs of Issuance Custodian Agreement.

"Event of Default" means an event of default under this Lease, as defined in Section 8.1 of this Lease.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of this Lease at a yield in excess of the yield on the Lease Payments.

"Federal Securities" means: (a) any 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), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully and unconditionally directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the Town as its fiscal year under written notice filed with the Bank.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Town, and who, or each of whom (a) is in fact independent and not under domination of the Town; (b) does not have any substantial interest, direct or indirect, in the Town; and (c) is not connected with the Town as an officer or employee of the Town but who may be regularly retained to make annual or other audits of the books of or reports to the Town.

"Insurance and Condemnation Fund" means the fund by that name to be established and held by the Bank pursuant to Section 6.2.

"Lease" means this Lease Agreement dated as of June 1, 2020, between the Corporation as lessor and the Town as lessee of the Leased Property, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements hereto.

"Lease Payment Date" means, each June 1 and December 1, commencing December 1, 2020.

"Lease Payments" means all payments required to be paid by the Town under Section 4.3(a) of this Lease, including any prepayment thereof under Article IX of this Lease.

"Leased Property" means all of the real property which is more particularly described in Appendix A to this Lease. If the Town exercises its option under Section 4.6 of this Lease with respect to the substitution of property, or if the Town exercises its option under Section 4.7 of this Lease with respect to the release of property, the term "Leased Property" will thereupon be modified accordingly.

"Net Proceeds" means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Original Principal Amount" means the aggregate original amount of the principal components of the Lease Payments, being $_____.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Town may permit to remain unpaid under Article V of this Lease; (b) this Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor which is secured by a lien on the Leased Property; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the Town certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Project" means the acquisition, construction and improvement by the Town of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works. The Town reserves the right to amend the description and scope of the Project from time to time in its sole discretion, and to add additional capital projects which will be used for the municipal purposes of the Town.

"Project Costs" means, with respect to the Project, all costs of the acquisition, construction and improvement 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 improvement of the Project;

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

(d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, 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 improvement of the Project;

(e) any sums required to reimburse the Corporation or the Town for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the Corporation or the Town, which are properly chargeable to the acquisition, construction and improvement of the Project;

(f) all financing costs incurred in connection with the acquisition, construction and improvement of the Project, including but not limited to Costs of Issuance and other costs incurred in connection with this Lease and the financing of the Project; and

(g) the interest components of the Lease Payments prior to the Completion Date.

"Project Fund" means the fund by that name established and held by the Escrow Agent under the Project Fund Escrow Agreement.

"Project Fund Escrow Agent" means _____, as Escrow Agent under the Project Fund Escrow Agreement, together with its successors and assigns.

"Project Fund Escrow Agreement" means that certain Project Fund Escrow Agreement dated as of June 1, 2020,

"Rental Period" means each period during the Term of the Lease commencing on and including June 2 in each year and extending to and including the next succeeding June 1, except that the first Rental Period begins on the Closing Date and ends on June 1, 2020.

"Site Lease" means the Site Lease dated as of June 1, 2020, between the Town as lessor and the Corporation as lessee of the Leased Property, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

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

"Town" means the Town of Atherton, a general law city and municipal corporation duly organized and existing under the laws of the State of California.

"Town Representative" means the City Manager, Finance Director, City Clerk or any other person authorized by resolution of the City Council of the Town to act on behalf of the Town under or with respect to this Lease.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the Town.* The Town makes the following covenants, representations and warranties to the Corporation and the Bank as of the Closing Date:

(a) Due Organization and Existence. The Town is a general law city and municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into this Lease, and the Site Lease and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Town has duly authorized the execution and delivery of this Lease, and the Site Lease.

(b) Due Execution. The representatives of the Town executing this Lease and the Site Lease have been fully authorized to execute the same under a resolution duly adopted by the City Council of the Town.

(c) Valid, Binding and Enforceable Obligations. This Lease and the Site Lease have been duly authorized, executed and delivered by the Town and constitute the legal, valid and binding agreements of the Town enforceable against the Town in accordance with their respective terms.

(d) No Conflicts. The execution and delivery of this Lease and the Site Lease, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or

regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Town is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Town, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease and the Site Lease or the financial condition, assets, properties or operations of the Town.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Town or of the voters of the Town, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease and the Site Lease, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Town after reasonable investigation, threatened against or affecting the Town or the assets, properties or operations of the Town which, if determined adversely to the Town or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease and the Site Lease, or upon the financial condition, assets, properties or operations of the Town, and the Town is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease and the Site Lease or the financial conditions, assets, properties or operations of the Town.

SECTION 2.2. *Covenants, Representations and Warranties of the Corporation.* The Corporation makes the following covenants, representations and warranties to the Town and the Bank as of the Closing Date:

(a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, has full legal right, power and authority to enter into this Lease, the Site Lease, and the Assignment Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Corporation has duly authorized the execution and delivery of this Lease, the Site Lease, and the Assignment Agreement.

(b) Due Execution. The representatives of the Corporation executing this Lease, the Site Lease, and the Assignment Agreement are fully authorized to execute the same under official action taken by the governing board of the Corporation.

(c) Valid, Binding and Enforceable Obligations. This Lease, the Site Lease, and the Assignment Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(d) No Conflicts. The execution and delivery of this Lease, the Site Lease, and the Assignment Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, and the Assignment Agreement or the financial condition, assets, properties or operations of the Corporation.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, the Site Lease, or the Assignment Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease, the Site Lease, or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of

any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, or the Assignment Agreement or the financial conditions, assets, properties or operations of the Corporation.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS; CONSTRUCTION OF THE PROJECT

SECTION 3.1. *Deposit of Moneys.* Pursuant to the Assignment Agreement, the Corporation shall cause the Bank to apply the proceeds of this Lease on the Closing Date as follows:

(a) the Bank shall transfer the amount of $_____ to the Project Fund Escrow Agent, to be deposited in the Project Fund Escrow Agreement for the purpose of financing the Project; and

(b) the Bank shall transfer the amount of $_____ to the Custodian, to be deposited in the Costs of Issuance Fund established under the Costs of Issuance Custodian Agreement for the purpose of paying Costs of Issuance.

SECTION 3.2. *Construction of the Project.* The Corporation hereby appoints the Town as its agent to carry out all phases of the acquisition and construction of the Project under and in accordance with the provisions hereof. The Town hereby accepts its appointment as agent of the Corporation and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the acquisition and construction of the Project. The Town, as agent of the Corporation hereunder, will enter into, administer and enforce all purchase orders or other contracts relating to the acquisition, construction and improvement of the Project. The Town will requisition the payment of the costs of the Project from amounts held by the Project Fund Escrow Agent under the Project Fund Escrow Agreement, under and in accordance with the provisions of the Project Fund Escrow Agreement. All contracts for, and all work relating to, the acquisition, construction and improvement of the Project are subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the Town. As agent of the Corporation, the Town will supervise and undertake to completion the acquisition, construction and improvement of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the Town under all applicable requirements of law.

SECTION 3.3. *Completion of the Project; Certification of Completion.* The Town expects that the Project will be substantially completed within three years following the Closing Date. The failure to complete the Project by such date will not constitute an Event of Default hereunder or a ground for termination of this Lease.

Upon the completion of the acquisition, construction and improvement of the Project, but in any event not later than 30 days following such completion, the Town shall

execute and deliver to the Project Fund Escrow Agent and the Bank a written certificate which (a) states that the acquisition, construction and improvement of the Project have been substantially completed, (b) identifies the total Project Costs theretofore paid from the Project Fund, and (c) identifies (i) the amounts, if any, to remain on deposit in the Project Fund for payment of Project Costs thereafter intended to be requisitioned by the Town, and (ii) the amounts (if any) to be transferred by the Town from the Project Fund to the Bank and applied to pay or prepay the Lease Payments under Section 9.2 of this Lease.

ARTICLE IV

LEASE PAYMENTS; SUBSTITUTION AND RELEASE OF PROPERTY

SECTION 4.1. *Lease of Leased Property*. The Corporation hereby leases the Leased Property to the Town and the Town hereby leases the Leased Property from the Corporation, upon the terms and conditions set forth in this Lease.

SECTION 4.2. *Term.* The Term of this Lease commences on the date of execution and delivery hereof and ends on the date on which the Lease Payments have been paid in full or provision for such payment has been made in accordance with Section 9.1. The provisions of this Section are subject to the provisions of Section 4.6 relating to the substitution of property, the provisions of Section 4.7 relating to the release of property and the provisions of Sections 6.2 and 6.3 relating to the taking in eminent domain of the Leased Property and damage and destruction of the Leased Property in whole or in part.

SECTION 4.3. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3 and the provisions of Article IX, the Town 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 Appendix B hereto, to be due and payable in immediately available funds on the Lease Payment Dates specified in Appendix B. The Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period. The interest components of the Lease Payments have been calculated based on an interest rate equal to the Original Rate on the basis of a 360-day year of twelve 30-day months.

(b) Effect of Prepayment. If the Town prepays all Lease Payments in full under Sections 9.2 or 9.3, and if the Town has paid all Additional Payments then due and payable, the Town's obligations under this Section will thereupon cease and terminate including but not limited to the Town's obligation to pay Lease Payments under this Section; *subject however*, to the provisions of Section 9.1 in the case of prepayment by application of a security deposit. If the Town prepays the Lease Payments in part but not in whole under Section 9.3, the amount of such prepayment shall be applied first to the interest component of the Lease Payments then due, and thereafter to the principal components of the remaining Lease Payments on a pro rata basis.

(c) Rate on Overdue Payments. If the Town fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the Town

until the amount in default has been fully paid, and the Town agrees to pay the same with interest thereon, from the date of default to the date of payment at the rate of interest of 2.20%.

(d) Fair Rental Value. The Lease Payments and Additional Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and the Town will pay the Lease Payments and Additional 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 Town 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 Town and the Corporation under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the Town and the general public.

(e) Source of Payments; Budget and Appropriation. The Lease Payments are payable from any source of legally available funds of the Town, subject to the provisions of Articles VI and IX. The Town covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due hereunder in each of its final approved budgets. The Town further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the Town for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the Town contained herein are duties imposed by law and it is the duty of each and every public official of the Town 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 Town to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the Town.

(f) Assignment. The Town acknowledges that all Lease Payments have been assigned by the Corporation to the Bank under the Assignment Agreement, and the Town consents to such assignment. As a result of such assignment, the Town shall pay all Lease Payments when due directly to the Bank, in accordance with such payment instructions as the Bank shall provide to the Town from time to time. As of the Closing Date, the Town shall pay the Lease Payments to the Bank by wire transfer in accordance with the following wire transfer instructions:

[To come from COPF]

SECTION 4.4. *Additional Payments.* In addition to the Lease Payments, the Town shall pay when due, as additional rental for the Leased Property hereunder including without limitation (a) all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), and (b) all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation in connection with the Leased Property or the performance of their duties hereunder. Notwithstanding any other provision of this Lease, the Town shall in no event be obligated to pay any Lease Payments or Additional Rental Payments due hereunder in any Rental Period for any succeeding Rental Period.

SECTION 4.5. *Title.* At all times during the Term of this Lease, the Town will hold title to the Leased Property, subject to Permitted Encumbrances, including all additions which comprise fixtures, repairs, replacements or modifications thereto, and subject to the provisions of Section 5.2 of this Lease. Without limiting the foregoing, the Town covenants to use of the Holbrook-Palmer Park (as described in Appendix A hereto) in a manner consistent, and not in contradiction to, the conditions for use thereof set forth in the Decree of Preliminary Distribution and of Instructions entered *In the Matter of the Estate of Olive H. Palmer*, City and County of San Francisco Superior Court Case No. 145450, and recorded in the office of the San Mateo County Recorder on February 16, 1959, in Book 3568, Page 687.

Upon the termination of this Lease (other than under Section 8.2(b) hereof), all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the Town. Upon the payment in full of all Lease Payments allocable to the Leased Property, or upon the deposit by the Town of security for such Lease Payments as provided in Section 9.1, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the Town. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the Town to consummate any such transfer of title.

SECTION 4.6. *Substitution of Property.* The Town has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), provided that the Town shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(a) No Event of Default has occurred and is continuing, and the Town has certified so in writing to the Corporation and the Bank.

(b) The Town has filed with the Corporation and the Bank, and caused to be recorded in the office of the San Mateo County Recorder sufficient memorialization of, an amendment to this Lease and the Site Lease which adds to Appendix A hereto and to the Site Lease a description of such Substitute Property and deletes from this Lease and the Site Lease the description of such Former Property.

(c) The Town has obtained a CLTA policy of title insurance which insures the Town's leasehold estate hereunder in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

(d) The Town has certified in writing to the Corporation and the Bank that the insurance policies required by Sections 5.3, 5.4 and 5.5 of this Lease are in full force and effect with respect to the property which remains subject to this Lease following such substitution.

(e) The Town has certified in writing to the Corporation and the Bank that such Substitute Property serves the municipal purposes of the Town and constitutes property which the Town is permitted to lease under the laws of the State of California.

(f) The substitution of the Substitute Property for the Former Property does not cause the Town to violate any of its covenants, representations and warranties made herein, and the Town has certified so in writing to the Corporation and the Bank.

(g) The Town has certified in writing to the Corporation and the Bank that (i) the estimated value of the Substitute Property is at least equal to the Original Principal Amount, (ii) the fair rental value of the Substitute Property is at least equal to the Lease Payments thereafter coming due and payable hereunder, and (iii) the useful life of the Substitute Property at least equals the lesser of (A) the useful life of the Former Property, or (B) the final Lease Payment Date of the Lease Payments allocable thereto.

Upon the satisfaction of all such conditions precedent, the Term of this Lease 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 Property. The Town 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 Town will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease and the Assignment Agreement.

SECTION 4.7. *Release of Property*.

(i) General. The Town has the option at any time and from time to time to release any portion of the Leased Property from this Lease (the "Released Property") provided that the Town shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(a) No Event of Default has occurred and is continuing, and the Town has certified so in writing to the Corporation and the Bank.

(b) The Town has filed with the Corporation and the Bank, and caused to be recorded in the office of the San Mateo County Recorder sufficient memorialization of, an amendment hereof which removes the Released Property from the Site Lease and this Lease.

(c) The Town has certified in writing to the Corporation and the Bank that the insurance policies required by Sections 5.3, 5.4 and 5.5 of this Lease are in full force and effect with respect to the property which remains subject to this Lease following such release.

(d) The Town has certified in writing to the Corporation and the Bank that (i) the value of the property which remains subject to this Lease following such release is at least equal to the Original Principal Amount, and (ii) the fair rental value of the property which remains subject to this Lease following such release is at least equal to the Lease Payments thereafter coming due and payable hereunder.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Released Property. The Town 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 Town shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Released Property.

(ii) Release of the Holbrook-Palmer Park. Notwithstanding the foregoing, upon final completion of the Project, the Town shall have the absolute right to release from this Lease, the Site Lease and the Assignment Agreement, the portion of the original Leased Property consisting of the Holbrook-Palmer Park (as described in Appendix A hereto) without meeting the conditions set forth in subsection (i) above, and upon satisfaction of the following conditions:

(a) the Town shall deliver a certificate to the Corporation and the Bank certifying that the Project is compete and the fair rental value of the Project is at least equal to the Lease Payments thereafter coming due and payable hereunder.

(b) the Town and the Corporation shall execute a Notice of Release of Leased Property amending this Lease and the Site Lease (the "Notice of Release"), substantially in the form attached hereto as Appendix C, and the Town shall record the Notice of Release in the real property records of the County.

(c) the Town shall certify in writing to the Corporation and the Bank that the insurance policies required by Sections 5.3, 5.4 and 5.5 of this Lease are in full force and effect with respect to the Project.

After the execution and recordation of the Notice of Release, and subject to any future substitution of property under Section 4.6 or future removal of property under this Section, references to the Leased Property in this Lease (and any recorded memorandum thereof), the Site Lease, and the Assignment Agreement shall be deemed to include only the Project and the related site, and shall not be deemed to include the Holbrook-Palmer Park so released.

SECTION 4.8. *No Merger*. It is the express intention of the Corporation and the Town that this Lease and the obligations of the parties hereunder shall be and remain separate and distinct from the Site Lease and the obligations of the parties thereunder, and that during the term of the Site Lease and this Lease no merger of title or interest shall occur or be deemed to occur as a result of the respective positions of the Corporation and the Town thereunder and hereunder.

ARTICLE V

MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the sole responsibility of the Town, and the Town will 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 Town or any assignee or sublessee 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 Town waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the Town under the terms of this Lease.

The Town will also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the Town affecting the Leased Property or the respective 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 Town is obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

The Town may, at the Town'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 notifies the Town that, in its reasonable opinion, by nonpayment of any such items the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Town shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

SECTION 5.2. *Modification of Leased Property.* The Town 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 this Lease. 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 this Section, shall 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 Town 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 Town under this Section; provided that if any such lien is established and the Town first notifies the Corporation of the Town's intention to do so, the Town 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 Town.

SECTION 5.3. *Public Liability and Property Damage Insurance.* The Town will maintain or cause to be maintained, throughout the Term of this Lease, comprehensive general insurance in protection of the Corporation, the Town and their respective members, officers, agents, employees and assigns. Such insurance 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. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the Town deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town. Such insurance may be maintained in whole or in part in the form of a program of self-insurance by the Town, subject to the provisions of Section 5.7, or in the form of the participation by the Town in a joint powers authority or other program providing pooled insurance. The Town shall apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

SECTION 5.4. *Casualty Insurance.* The Town will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of this Lease, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate unpaid principal components of the Lease Payments; *provided, however*, that the Town is not required to maintain such insurance on the improvements constituting a part of the Project prior to the completion of the Project. Hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the Town, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the Town deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town, and may be maintained in whole or in part in the form of the participation by the Town in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the Town in the form of self-insurance. The Town shall apply the Net Proceeds of such insurance as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The Town will procure and maintain, or cause to be procured and maintained, at all times 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;

provided, however, that the Town is not required to maintain such insurance on the improvements constituting a part of the Project prior to the completion of the Project. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town, and may be maintained in whole or in part in the form of the participation by the Town in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the Town in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Bank and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* The Town will, at its expense, cause the Assignment Agreement, the Site Lease and this Lease to be recorded in the office of the San Mateo County Recorder on or before the Closing Date. Concurrent with such recordation, the Town shall obtain a CLTA title insurance policy insuring the Town's leasehold estate in the Leased Property hereunder, subject only to Permitted Encumbrances, in an amount at least equal to the Original Principal Amount. All Net Proceeds received under such title insurance policy shall applied towards the prepayment of the Lease Payments under Section 9.3.

SECTION 5.7. *Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 shall name the Town as loss payee so as to provide that all proceeds thereunder are payable to the Town. The Town shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease. All such policies shall provide that the Bank is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Town shall file with the Bank, not later than October 1 of each year, a certificate stating that all policies of insurance required under Sections 5.4, 5.5 and 5.6 are in full force and effect.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the Town shall file with the Bank annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the Town or an independent insurance adviser engaged by the Town identifying the extent of such self-insurance and the amounts held for that purpose, and stating the determination that the Town maintains sufficient reserves with respect thereto and that the self-insurance program is being maintained on an actuarially-sound basis. If any such insurance is provided in the form of self-insurance by the Town, the Town has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of Town's Personal Property.* The Town 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 will remain the sole property of the Town, in which neither the Corporation nor the Bank has any interest, and may be modified or removed by the Town at any time, provided that the Town 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 prevents the Town from purchasing or leasing items to be installed under 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 attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The Town may 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 as herein contemplated and except for such encumbrances as the Town certifies in writing to the Bank do not materially and adversely affect the leasehold estate in the Leased Property hereunder. Except as expressly provided in this Article, the Town will 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 Town will 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. *Advances.* If the Town fails to perform any of its obligations under this Article, the Corporation may take any necessary action to cure the failure, including the advancement of money, and the Town shall repay all such advances as additional rental hereunder, with interest at the rate set forth in Section 5.3(c).

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Eminent Domain*. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a governmental entity threatening to exercise the power of eminent domain, the Term of this 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, (a) this 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, and (b) there shall be a partial abatement of Lease Payments in an amount equal to 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 Town and the Bank such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property.

SECTION 6.2. *Application of Net Proceeds of Insurance.*

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Leased Property collected by the Town in the event of any such damage or destruction shall be deposited by the Town promptly upon receipt thereof in a special fund with the Bank designated as the “Insurance and Condemnation Fund.”

(b) Within 90 days following the date of such deposit, the Town shall determine and notify the Bank in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the Town and the Net Proceeds, together with other moneys available therefor, are sufficient to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to Section 9.3, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the

Leased Property and the fair rental value of the Leased Property following such repair, restoration, replacement, modification or improvement will at least equal the unpaid principal component of the Lease Payments.

(c) In the event the Town determines not to replace, repair, restore, modify or improve the damaged or destroyed portions of the Leased Property, the Net Proceeds shall be promptly applied to the prepayment of Lease Payments under Section 9.3; *provided, however*, that in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be so applied only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments, all accrued and unpaid interest, prepayment premiums and all other costs related to such prepayments under Section 9.3, and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property; *provided further, however*, that in the event of damage or destruction of the Leased Property in part, such Net Proceeds may be applied to the prepayment of Lease Payments only if the resulting Lease Payments following such prepayment from Net Proceeds represent fair consideration for the remaining portions of the Leased Property and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, evidenced by a certificate signed by a Town Representative.

(d) In the event the Town determines to replace, repair, restore, modify or improve the damaged or destroyed portions of the Leased Property, such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the Town, and until the Leased Property has been restored to its prior condition, the Town shall not place any lien or encumbrance on the Leased Property that is senior to this Lease without the prior written consent of the Bank, at its sole discretion.

SECTION 6.3. *Application of Net Proceeds of Eminent Domain.* If all or any part of the Leased Property shall be 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 by the Town in the Insurance and Condemnation Fund and shall be applied and disbursed as follows:

(a) If the Town has given written notice to the Bank of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Leased Property or the ability of the Town to meet any of its obligations with respect to the Leased Property under this Lease, and (ii) such proceeds are not needed for repair or rehabilitation of the Leased Property, the Town shall so certify to the Bank and the Corporation, and the Town shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.03 of this Lease.

(b) If the Town has given written notice to the Bank of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Leased Property or the ability of the Town to meet any of its obligations with respect to the Leased Property under this Lease, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Town shall so certify to the

Bank, and the Town shall apply such amounts for such repair or rehabilitation.

(c) If (i) less than all of the Leased Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the Town has given written notice to the Bank of its determination that such eminent domain proceedings have materially affected the operation of the Leased Property or the ability of the Town to meet any of its obligations with respect to the Leased Property under the Lease Agreement or (ii) all of the Leased Property shall have been taken in such eminent domain proceedings, then the Town shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.3.

(d) In making any determination under this Section, the Town may, but shall not be required to, obtain at its expense, the report of an independent engineer or other independent professional consultant, a copy of which shall be filed with the Bank. Any such determination by the Town shall be final.

SECTION 6.4. *Application of Net Proceeds of Title Insurance*. . The Net Proceeds from a title insurance award shall be deposited by the Town in the Insurance and Condemnation Fund and credited towards the prepayment of Lease Payments required to be paid pursuant to Section 9.3.

SECTION 6.5. *Termination or Abatement.* 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 thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) this Lease shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the Town such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

The Lease Payments are also subject to abatement 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 Town of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the Town such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will 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 continues in full force and effect and the Town waives any right to terminate this Lease by virtue of any such damage and destruction.

ARTICLE VII

OTHER COVENANTS

SECTION 7.1. *Disclaimer of Warranties.* THE CORPORATION MAKES NO AGREEMENT, 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 TOWN OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE TOWN ACKNOWLEDGES THAT THE CORPORATION IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE TOWN LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE TOWN. In no event is the Corporation liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease for the existence, furnishing, functioning or the Town's use of the Leased Property.

SECTION 7.2. *Access to the Leased Property.* The Town agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, may at all reasonable times, after the giving of written notice two (2) Business Days prior, enter upon and to examine and inspect the Leased Property or any part thereof. The Corporation and any Corporation Representative have such rights of access to the Leased Property or any component thereof as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the Town to perform its obligations hereunder; *provided, however,* that neither the Corporation nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The Town shall indemnify the Corporation, the Bank and their respective officers, agents, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

(a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the Town;

(b) any breach or default on the part of the Town in the performance of any of its obligations under this Lease;

(c) any negligence or willful misconduct of the Town or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property; or

(d) any intentional misconduct or negligence of any sublessee of the Town with respect to the Leased Property.

No indemnification is made under this Section or elsewhere in this Lease for willful misconduct or negligence under this Lease by the Corporation, the Bank or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the Town.* This Lease may not be assigned by the Town. The Town may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

(a) This Lease and the obligation of the Town to make Lease Payments hereunder shall remain obligations of the Town.

(b) The Town shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Bank a true and complete copy of such sublease.

(c) No such sublease by the Town may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California.

(d) The Town shall furnish the Corporation and the Bank with a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become includable in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment of Lease Agreement.* The Corporation and the Town may at any time amend or modify any of the provisions of this Lease, but only with the prior written consents of the Bank; provided, however, that no consent of the Bank shall be required to any release of property as permitted by Section 4.7(ii) of this Lease.

SECTION 7.6. *Tax Covenants*.

(a) Private Business Use Limitation. The Town shall assure that the proceeds of this Lease are not used in a manner which would cause this Lease to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

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

(c) No Arbitrage. The Town may not take or permit or suffer to be taken any action with respect to the proceeds of this Lease or of any other obligations 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 this Lease to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Town shall take all actions necessary to assure the exclusion of interest components of the Lease Payments from the gross

income of the Bank to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Town shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The Town shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the Town from any source of legally available funds of the Town, and shall constitute Additional Rental Payments hereunder.

The Town shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the payment or prepayment in full of the Lease Payments, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the Town may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Town may deem appropriate.

SECTION 7.7. *Records and Accounts.* The Town will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the funds and accounts of the Town. Said books shall, upon prior request, be subject to the reasonable inspection of the Corporation or the Bank, or their representatives authorized in writing, upon not less than three (3) Business Days' prior notice to the Town.

The Town will cause its books and accounts to be audited annually by an Independent Accountant, and shall file a copy of such report with the Bank within 210 days of the close of each Fiscal Year. Such report may be part of a combined financial audit or report covering all or part of the Town's finances.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Each of the following events constitutes an Event of Default hereunder:

(a) Failure by the Town to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein or therein.

(b) Failure by the Town to observe and perform any covenant, condition or agreement on its part to be observed or performed herein, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Town by the Corporation or the Bank; *provided, however*, that if the Town notifies the Corporation and the Bank that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the Town commences to cure

the failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

(c) The filing by the Town of a voluntary petition in bankruptcy, or failure by the Town promptly to lift any execution, garnishment or attachment, or adjudication of the Town as a bankrupt, or assignment by the Town for the benefit of creditors, or the entry by the Town into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Town in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under this Lease. Notwithstanding anything herein to the contrary, neither the Corporation nor the Bank may 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 Town is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted hereunder; provided, that no termination of this Lease shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

(a) Enforcement of Payments Without Termination. If the Corporation does not elect to terminate this Lease in the manner hereinafter provided for in subsection (b) of this Section, the Town agrees to 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 is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease, 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 Town hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the Town to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of San Mateo for the account of and at the expense of the Town, and the Town hereby 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 Town agrees that the terms of this Lease 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, and further agrees that no acts of the Corporation in effecting such re-leasing constitute a surrender or termination of this Lease 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 Town the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subsection (b) of this Section. The Town agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let under this paragraph. Any rental obtained by the Corporation in excess of the unpaid Lease Payments shall be deposited with the Bank and be applied as a credit against future Lease Payments.

(b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Corporation at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Corporation terminates this Lease at its option and in the manner hereinafter provided on account of default by the Town (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 Town 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 and Additional Payments. Any surplus received by the Corporation from such re-leasing shall be deposited with the Bank and be applied as a credit against future Lease Payments. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the Town shall be or become effective by operation of law, or otherwise, unless and until the Corporation has given written notice to the Town of the election on the part of the Corporation to terminate this Lease. The Town agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy is cumulative and in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of 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 is not necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Lease defaults under any of the provisions hereof and the non-defaulting party employs attorneys or incurs 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 non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Lease is breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not constitute a waiver of any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article, and all other amounts derived by the Corporation or the Town as a result of the occurrence of an Event of Default, shall be paid to the Bank and applied towards the payment and prepayment of the Lease Payments.

SECTION 8.7. *Bank to Exercise Rights.* Such rights and remedies as are given to the Corporation under this Article have been assigned by the Corporation to the Bank under the Assignment Agreement, to which assignment the Town hereby consents, and shall be exercised solely by the Bank.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the Town may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Bank, an escrow agent or other fiduciary an amount of cash which, is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion shall be addressed and delivered to the Bank), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.3(a) as the Town instructs at the time of said deposit.

If the Town posts a security deposit under this Section with respect to all unpaid Lease Payments and if the Town has paid or caused to be paid all Additional Payments

then due and payable, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease will continue, (b) all obligations of the Town under this Lease, and all security provided by this Lease for said obligations, will thereupon cease and terminate, excepting only the obligation of the Town to make, or cause to be made all of the Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the Town on the date of said deposit automatically and without further action by the Town or the Corporation. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

SECTION 9.2. *Optional Prepayment.*

(a) The Town may exercise its option to prepay the principal components of the Lease Payments in part in an amount not less than $100,000 and not in excess of $500,000, on any Lease Payment Date, by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such date, without prepayment premium; provided, however, that (i) the Town may exercise such option once per calendar year commencing calendar year 2020, and (ii) the Town may make such prepayments from any source of legally available funds of the Town other than indebtedness incurred by the Town for the purpose of refunding the Town's obligations under this Lease. The prepayment price paid by the Town with respect to any optional redemption under this Section 9.2 shall be applied to the principal components of the Lease Payments outstanding on the applicable prepayment date in inverse order of maturity.

(b) The Town may exercise its option to prepay the principal components of the Lease Payments in whole on any date on and after June 1, 2025, by paying a prepayment price equal to the aggregate principal components of the Lease Payments outstanding on the date of such prepayment, together with the interest component of the Lease Payment required to be paid on such date, without prepayment premium. The Town shall give the Bank and the Corporation written notice of its intention to exercise its option not less than 20 days in advance of the date of exercise, or such shorter period of time as may be acceptable to the Bank in its sole discretion.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The Town is obligated to prepay the principal components of the Lease Payments, in whole on any date or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property which are applied for that purpose under Article VI hereof. The Town and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments and applied to the prepayment of the Lease Payments on the next available prepayment date. The Town shall give written notice to the Bank of its intention to prepay the Lease Payments under this Section not less than 20 days prior to the prepayment date.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease may be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication confirmed by telephone, at its number set forth below. Notice shall be effective upon actual receipt. The Corporation, the Town or the Bank may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Town:	Town of Atherton 150 Watkins Avenue Atherton, California 94027 Attention: Finance Director Fax: (650)752-0552
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: Chief Executive Officer
If to the Bank:	Capital One Public Funding, LLC [To come]

SECTION 10.2. *Binding Effect.* This Lease inures to the benefit of and is binding upon the Corporation, the Town and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding does not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease is a “net-net-net lease” and the Town hereby agrees that the Lease Payments are an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiaries.* The Bank is hereby made a party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Corporation and the Town shall, 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.

SECTION 10.7. *Execution in Counterparts.* This 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 10.8. *Applicable Law.* This Lease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Corporation and Town Representatives.* Whenever under the provisions of this Lease the approval of the Corporation or the Town is required, or the Corporation or the Town 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 Town by a Town Representative, and any party hereto shall be authorized to rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

IN WITNESS WHEREOF, the Corporation and the Town have caused this Lease to be executed in their respective names by their duly authorized officers, all as of the date first above written.

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, *as lessor*

By _____
Treasurer

TOWN OF ATHERTON, *as lessee*

By _____
Mayor

Attest:

_____
City Clerk

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The property constituting the Leased Property consists of the land located in the Town of Atherton, County of San Mateo, State of California, which is described as follows, including all buildings, improvements and facilities at any time situated thereon.

HOLBROOK-PALMER PARK

Lots 5 and 6, as designated on the map entitled "Map of Villa Lots at Fair Oaks", which map was filed in the Office of the Recorder of the County of San Mateo, State of California, April 29, 1868, in Volume "C" of Maps Page 31 and a copy thereof entered in Volume 1 of Maps at Page 87.

Excepting therefrom so much thereof as may lie within the bounds of Watkins Avenue as same was conveyed by Charles Holbrook et al to the County of San Mateo by deed dated November 15, 1913 and recorded January 4, 1915 in Volume 237 of Deeds at Page 351, Records of San Mateo County, California.

APN: 061-310-100

THE PROJECT (TOWN CENTER PROJECT)

Lot 1, as shown on that certain map entitled "Parcel Map No. TOA 18-01" Atherton Civic Center, filed on July 2, 2019 in Volume 84 of Parcel Maps Pages 76 through 78, inclusive, San Mateo County Records.

APN: 060-321-220 (New, not yet assessed)

Formerly (Old) "060-321-130, 060-321-010, 060-321-160, Portion of 060-321-170, 060-323-180 and 060-323-010"

APPENDIX B

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date*	Principal Component	Interest Component	Lease Payment

* Lease Payments are due no later than the fifth Business Day immediately preceding each of the listed payment dates.

APPENDIX C

FORM OF NOTICE OF RELEASE OF LEASED PROPERTY

TO BE RECORDED AND WHEN RECORDED
RETURNED TO:

Jones Hall,
A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attn: Juan M. Galvan, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

NOTICE OF RELEASE OF LEASED PROPERTY

Reference is made to the following documents:

(i) that certain Site Lease dated as of June 1, 2020 (the "Site Lease"), by and between Town of Atherton (the "Town"), as lessor, and the Public Property Financing Corporation of California (the "Corporation"), as lessee, recorded on _____, 2020, as Document No. _____, in the Official Records of the San Mateo County Recorder;

(ii) that certain Lease Agreement dated as of June 1, 2020 (the "Lease Agreement"), by and between the Corporation, as sublessor, and the Town, as sublessee, a memorandum of which was recorded on _____, 2020, as Document No. _____, in the Official Records of the San Mateo County Recorder; and

(iii) that certain Assignment Agreement dated as of June 1, 2020 (the "Assignment Agreement"), by and between the Corporation, as assignor, and Capital One Public Funding, LLC, as assignee, recorded on _____, 2020, as Document No. _____, in the Official Records of the San Mateo County Recorder.

Capitalized terms used but not defined herein have the meanings assigned to them in the Lease Agreement.

As contemplated by Section 3.3(ii) of the Lease Agreement, the portion of the Leased Property constituting the Project (as described in Exhibit A) has been completed, and the Town therefore hereby provides notice that the portion of the Leased Property constituting the Holbrook-Palmer Park (as described in Exhibit A attached hereto) has been and is hereby released as the Leased Property under the Site Lease, the Lease Agreement (and recorded memorandum thereof) and the Assignment Agreement.

In accordance with Section 3.3(ii) of the Lease Agreement, (a) the Town has delivered a certificate to the Bank certifying that the Project is compete and the fair rental value of the Project is at least equal to the principal component of the remaining Lease Payments, and (b) the Town has delivered evidence to the Bank that the insurance policies required by the Lease Agreement are in full force and effect with respect to the Project.

This Notice of Release of Leased Property shall be recorded in the real property records of the County of San Mateo and shall constitute an amendment to the Site Lease, the Lease Agreement (and recorded memorandum thereof) and the Assignment Agreement, solely with respect to the removal of the Holbrook-Palmer Park from the Leased Property encumbered by those documents.

Dated: _____

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as lessor

By _____
Treasurer

TOWN OF ATHERTON, *as lessee*

By _____
Finance Director

Attest

_____
City Clerk

NOTARY ACKNOWLEDGEMENTS

EXHIBIT A

DESCRIPTION OF RELEASED PROPERTY

HOLBROOK-PALMER PARK

The land referred to herein is situated in the State of California, County of San Mateo, Town of Atherton and described as follows:

Lots 5 and 6, as designated on the map entitled "Map of Villa Lots at Fair Oaks", which map was filed in the Office of the Recorder of the County of San Mateo, State of California, April 29, 1868, in Volume "C" of Maps Page 31 and a copy thereof entered in Volume 1 of Maps at Page 87.

Excepting therefrom so much thereof as may lie within the bounds of Watkins Avenue as same was conveyed by Charles Holbrook et al to the County of San Mateo by deed dated November 15, 1913 and recorded January 4, 1915 in Volume 237 of Deeds at Page 351, Records of San Mateo County, California.

APN: 061-310-100

RECORDING REQUESTED BY:
Stewart Title Guaranty Company

AND WHEN RECORDED
RETURN TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Juan M. Galvan, Esq.

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "Assignment Agreement"), dated as of June 1, 2020, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and CAPITAL ONE PUBLIC FUNDING, LLC, a limited liability company organized and existing under the laws of the United States of America(the "Bank")

B A C K G R O U N D :

1. The Town wishes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project").

2. In order to provide funds to finance a portion of the Project, the Corporation and the Town have entered into a Site Lease dated as of June 1, 2020, which has been recorded concurrently herewith (the "Site Lease"), whereby the Town has leased to the Corporation certain land and improvements initially consisting generally of the Holbrook-Palmer Park and the land on which the Project will be located (which is the site of the Town's previous City Hall), as more fully described in Appendix A hereto (the "Leased Property"), in consideration of the payment by the Corporation of an upfront rental payment (the "Site Lease Payment") which is sufficient to provide funds a portion of the Project.

3. The Corporation has agreed to lease the Leased Property back to the Town under a Lease Agreement dated as of June 1, 2020, which has been recorded concurrently herewith (the "Lease"), in consideration of the payment by the Town of semiannual lease payments.

4. The Corporation has agreed to assign its right to receive lease payments under the Lease to the Bank as provided in this Assignment Agreement, and in consideration of such assignment the Bank will provide the Corporation with the funds required to pay the Site Lease Payment the Town .

5. Each of the parties has authority to enter into this Assignment Agreement, and has taken all actions necessary to authorize its officers to execute it.

A G R E E M E N T :

In consideration of the material covenants contained in this Assignment Agreement, the Corporation and the Bank hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms*. All capitalized terms not otherwise defined herein have the respective meanings given them in the Lease.

SECTION 2. *Assignment*. The Corporation hereby transfers, assigns and sets over to the Bank all of the Corporation's rights under the Site Lease and the Lease (excepting only the Corporation's rights under Sections 4.4, 5.10, 7.3 and 8.4 of the Lease), including but not limited to:

(a) the right to receive and collect all of the Lease Payments from the Town under the Lease,

(b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property, and

(c) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under the Lease, or (ii) otherwise to protect the interests of the Bank in the event of a default by the Town under the Lease.

The assignment made under this Section 2 is absolute and irrevocable, and without recourse to the Corporation.

SECTION 3. *Acceptance*. The Bank hereby accepts the assignments made herein for the purpose of securing the payments due to the Bank under the Lease, subject in all respects to the provisions of the Lease.

SECTION 4. *Limitations on Further Assignments*. The Bank may resell or otherwise transfer all (but not less than all) of its interest in the Lease, but only to an institution that (i) the Bank reasonably believes is either (x) a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), or (y) an "accredited investor" as that term is defined in Rule 501(a)(1),(2),(3), or (7) under the Securities Act and is not purchasing an interest in the Site Lease and the Lease pursuant to the Assignment Agreement for more than one account or with a view to distributing such interest in the Site Lease and the Lease to any third party (ii) delivers to the City and the Corporation an executed Investor Letter substantially in the form of Appendix B, and (iii) otherwise complies in all respects with the provisions of the Lease regarding such sale or transfer.

SECTION 5. *Conditions to Closing*. At or prior to the Closing Date, the Bank shall have received the following documents, in each case satisfactory in form and substance to the Bank:

(a) Bond Opinion. The unqualified approving opinion of Special Counsel, dated the Closing Date, addressed to the Town, as to the validity of the Lease and tax-exempt status of the Lease Payments.

(b) Reliance Letter. A reliance letter from Special Counsel permitting the Bank to rely upon the approving opinion referred to in subparagraph (a), above.

(c) Supplemental Opinion. A supplemental opinion of Special Counsel, dated the Closing Date and addressed to the Bank, to the effect that:

(i) the Lease is exempt from registration under the Securities Act of 1933, as amended; and

(ii) the Lease, the Site Lease and the Project Fund Escrow Agreement have been duly authorized, executed and delivered by the Town and constitute the legal, valid and binding agreements of the Town, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), and to the exercise of judicial discretion in appropriate cases.

(d) Certificate of the Town. A certificate signed by a duly authorized official of the Town to the effect that (i) the Lease, the Site Lease, the Project Fund Escrow Agreement, and this Assignment Agreement have been duly executed and delivered, (ii) the representations, warranties and covenants of the Town in the Lease are true and correct in all material respects as of the Closing Date, and (iii) the Town has complied with all the terms of the Lease, the Site Lease and the Project Fund Escrow Agreement to be complied with by such party prior to or concurrently with the Closing Date and such documents are in full force and effect.

(e) Certificate of the Corporation. A certificate signed by a duly authorized official of the Corporation to the effect that (i) the Lease, the Site Lease, and this Assignment Agreement have been duly executed and delivered, (ii) the representations, warranties and covenants of the Corporation in the Lease are true and correct in all material respects as of the Closing Date, and (iii) the Corporation has complied with all the terms of the Lease, the Site Lease and this Assignment Agreement to be complied with by such party prior to or concurrently with the Closing Date and such documents are in full force and effect.

(f) Resolutions. Certificates of the authorized officials of the Corporation and the Town or, in each case, his or her designee, together with a fully executed copy of the Corporation and Town resolutions, respectively, to the effect that, (i) such copy is a true and correct copy of such resolution; and (ii) such resolution is duly adopted and has not been modified, amended, rescinded or revoked except as provided herein, and is in full force and effect on the Closing Date.

(f) City Attorney Opinion. An opinion of the City Attorney of the Town, dated the Closing Date, addressed to the Town, the Corporation and the Bank, as to (i) the due organization and existence of the Town, (ii) the due adoption of the Town resolution approving the Lease, the Site Lease and the Project Fund Escrow Agreement, (iii) the absence of material litigation affecting the ability of the Town to undertake and complete the transactions contemplated by the Lease, and (iv) the non-existence of any agreement or other instrument to which the Town is a party or by which it is bound or any law, regulation, court order or consent decree to which the Town is subject, the breach of which or the default under which has or may have a material adverse effect on the ability of the Town to perform its obligations under the Lease and the Site Lease.

(g) Corporation Counsel Opinion. An opinion of Parker & Covert LLP, as counsel to the Corporation, dated as of the Closing, addressed to the Town, the Corporation, and the Bank, as to (i) the due organization and existence of the Corporation, (ii) the due adoption of the Corporation resolution approving the Lease, the Site Lease, and this Assignment Agreement, (iii) the absence of material litigation affecting the ability of the Corporation to undertake and complete the transactions contemplated by the Lease, and (iv) the non-existence of any agreement or other instrument to which the Corporation is a party or by which it is bound or any law, regulation, court order or consent decree to which the Corporation is subject, the breach of which or the default under which has or may have a material adverse effect on the ability of the Corporation to perform its obligations under the Lease, the Site Lease, and this Assignment Agreement.

(h) Tax Certifications. Tax certifications by the Town in form and substance acceptable to Special Counsel.

(i) CDIAC. Evidence of required filings with the California Debt and Investment Advisory Commission ("CDIAC").

(j) Executed Documents. Executed copies of the Lease, the Site Lease, this Assignment Agreement, and an investor letter substantially in the form of Appendix B.

(k) Evidence of Insurance. A title insurance policy insuring the Town's fee title to and sub-leasehold interest in the Leased Property (defined in the Lease, and the Corporation's leasehold interest in the Leased Property. Evidence (or a certificate of an appropriate official of the Town) that the Town maintains property, casualty and rental interruption insurance for the Leased Property that meets the requirements of the Lease.

(l) Additional Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as Special Counsel or the Bank may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the representations contained herein and the due performance or satisfaction by the Corporation at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

SECTION 6. *Expenses*. The fees and disbursements of Special Counsel, the fees and disbursements of the municipal advisor to the Town, CDIAC fees, and other miscellaneous expenses of the Town incurred in connection with the offering and delivery of the Lease Agreement shall all be the obligation of the Town. The Bank shall pay all Project Fund Escrow Agent fees and all expenses incurred by it in connection with this Assignment Agreement, including without limitation fees and expenses of its counsel.

SECTION 7. *Execution in Counterparts*. This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same agreement. It is also agreed that separate counterparts of this Assignment Agreement may be separately executed by the Trustee and the Corporation, both with the same force and effect as though the same counterpart had been executed by the Bank and the Corporation.

SECTION 8. *Binding Effect*. This Assignment Agreement inures to the benefit of and binds the Corporation and the Bank, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 9. *Governing Law*. This Assignment Agreement is governed by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement by their authorized officers as of the day and year first written above.

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By _____
Treasurer

CAPITAL ONE PUBLIC FUNDING, LLC, *as Bank*

By _____
Authorized Officer

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The property constituting the Leased Property consists of the land located in the Town of Atherton, County of San Mateo, State of California, which is described as follows, including all buildings, improvements and facilities at any time situated thereon.

HOLBROOK-PALMER PARK

Lots 5 and 6, as designated on the map entitled "Map of Villa Lots at Fair Oaks", which map was filed in the Office of the Recorder of the County of San Mateo, State of California, April 29, 1868, in Volume "C" of Maps Page 31 and a copy thereof entered in Volume 1 of Maps at Page 87.

Excepting therefrom so much thereof as may lie within the bounds of Watkins Avenue as same was conveyed by Charles Holbrook et al to the County of San Mateo by deed dated November 15, 1913 and recorded January 4, 1915 in Volume 237 of Deeds at Page 351, Records of San Mateo County, California.

APN: 061-310-100

THE PROJECT (TOWN CENTER PROJECT)

Lot 1, as shown on that certain map entitled "Parcel Map No. TOA 18-01" Atherton Civic Center, filed on July 2, 2019 in Volume 84 of Parcel Maps Pages 76 through 78, inclusive, San Mateo County Records.

APN: 060-321-220 (New, not yet assessed)

Formerly (Old) "060-321-130, 060-321-010, 060-321-160, Portion of 060-321-170, 060-323-180 and 060-323-010"

APPENDIX B

FORM OF INVESTOR LETTER

Town of Atherton
150 Watkins Avenue
Atherton, California 94027

Re: $_____ Town of Atherton 2020 Lease (Town Center Project)

Ladies and Gentlemen:

The Town of Atherton, California (the "Town") financed a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project") and the costs of such financing, in the amount of $_____ (the "Proceeds"). In order to provide funds to finance the Project, the Town leased certain real property and improvements, initially consisting generally of the Holbrook-Palmer Park and the Town's existing civic center, including land and improvements (the "Leased Property"), to the Public Property Financing Corporation of California (the "Corporation") under a Site Lease dated as of June 1, 2020 (the "Site Lease"), between the Town, as lessor, and the Corporation, as lessee, in consideration of the payment of an upfront rental payment in an amount which is sufficient to finance the Project, and the Corporation subleased the Leased Property back to the Town under a Lease dated as of June 1, 2020 (the "Lease"), between the Corporation, as lessor, and the Town, as lessee, in consideration of the agreement by the Town to pay semiannual lease payments (the "Lease Payments"). The net Site Lease payment (after costs of the financing are paid) shall be placed into a separate fund held by _____ and shall be disbursed pursuant to the terms of a [Project Fund Escrow Agreement] dated as of _____, 2020 (the "Project Fund Agreement") between the Town and _____. The Site Lease, Lease, Assignment Agreement and Project Fund Agreement are referred to collectively herein as the "Financing Documents" and the transaction contemplated by the Financing Documents is referred to herein as the "Financing."

The Investor acknowledges that the Proceeds will be used for the purpose of: (i) financing the Project; and (ii) paying the costs that are incurred in connection with the execution and delivery of the Financing Documents.

In connection with the Financing, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has the authority and is duly authorized to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the Financing.

2. The Investor (a) is a bank, any entity directly or indirectly controlled by the bank or under common control with the bank, other than a broker, dealer or municipal securities dealer registered under the Securities Exchange Act of 1934, or a consortium of such entities; and (b) has the present intent to hold its interest in the Site Lease and the Lease pursuant to the Assignment Agreement for the full term or earlier prepayment thereof.

3. The Investor is (a) a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), or (b) an "accredited investor" as that term is defined in Rule 501(a)(1),(2),(3), or (7) under the Securities Act.

4. The Investor is not purchasing an interest in the Site Lease and the Lease pursuant to the Assignment Agreement for more than one account or with a view to distributing such interest in the Site Lease and the Lease to any third party(ies).

5. The Investor understands that the Financing Documents are not, and are not intended to be, registered under the Securities Act and that such registration is not legally required as of the date hereof, and further understands that the Financing Documents (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating agency, and (d) will be delivered in a form that may not be readily marketable.

6. The Investor acknowledges that it has either been supplied with or been given access to information which it has requested from the Town and to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Town and the Financing Documents so that, as a reasonable investor, the Investor has been able to make a decision to purchase an interest in the Site Lease and the Lease. The Investor has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the Financing.

7. The Investor has made its own inquiry and analysis with respect to the Financing and the Financing Documents, and other material factors affecting the payment of the Lease Payments by the Town. The Investor is aware that there are certain economic and regulatory variables and risks that could adversely affect the Financing and the Financing Documents. The Investor has reviewed the documents executed in conjunction with Financing, including, without limitation, each of the Financing Documents.

8. The Investor acknowledges and agrees that the Town takes no responsibility for, and make no representation to the Investor, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Investor's interest in the Site Lease or the Lease, or any securities law or income tax law consequences thereof. The Investor also acknowledges that, with respect to the Town's obligations and liabilities, the Investor is solely responsible for compliance with the restrictions on transfer of the Investor's interest in the Site Lease and Lease pursuant to the Assignment Agreement.

9. The Investor agrees that it is bound by and will abide by the provisions of the Assignment Agreement and this Investor Letter relating to transfer of the Investor's interest in the Site Lease and Lease. The Investor also covenants to comply with all applicable federal and state securities laws, rules and regulations in connection with any transfer of the Investor's right to receive Lease Payments pursuant to the Assignment Agreement.

10. The Investor acknowledges that the assignment to the Investor under the Assignment Agreement is made in reliance upon the certifications, representations, and warranties herein by the Investor to the addressees hereto.

11. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

12. All representations of the Investor contained in this letter shall survive the execution and delivery of the Financing Documents as representations of fact existing as of the date of execution and delivery of this Investor Letter.

Date: _____ __, 20__

Very truly yours,

[INVESTOR]

By:_____

Name:_____

$_____
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

CERTIFICATE PURCHASE AGREEMENT

June __, 2020

Town of Atherton
150 Watkins Avenue
Atherton, California 94027
Attention: City Manager

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

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") offers to enter into this Certificate Purchase Agreement (this "**Purchase Contract**") with the Town of Atherton (the "**Town**"). This offer is made subject to acceptance of this Purchase Contract by the Town's and Corporation's execution and delivery of the same to the Underwriter on or before 5:00 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Town and the Corporation at any time prior to such acceptance. Upon the Town's and the Corporation's acceptance hereof, the Purchase Contract will be binding upon the Town, the Corporation and the Underwriter. Capitalized terms that are used in this Purchase Contract and not otherwise defined have the meanings that are set forth in the Trust Agreement (as such term is defined herein).

The Town acknowledges and agrees that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Contract is an arm's length commercial transaction between the Town and the Underwriter, and the only obligations that the Underwriter has to the Town with respect to the transaction that is contemplated hereby are expressly set forth in the Purchase Contract; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the Town; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Town with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Town on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the Town; and (e) the Town has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations that are set forth in this Purchase Contract, the Underwriter agrees to purchase, and the Town agrees to cause to be sold and delivered to the Underwriter, all (but not less than all) of the $_____ initial aggregate principal amount Town of Atherton 2020 Certificates of Participation (Town Center Project) (the "**Certificates**") at a purchase price of $_____ (being an amount equal to the principal amount of the Certificates, [plus/less] a [net] original issue [premium/discount] of $_____ and less an Underwriter's discount of $_____). The obligations of the Underwriter to purchase, accept delivery of and pay for the Certificates shall be conditioned on the execution and delivery of all of the Certificates by The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**") under the Trust Agreement (as such term is defined herein), to the Underwriter at Closing (as such term is defined herein), upon the written request of the Corporation.

2. Certificate Terms; Authorizing Instruments.

(a) The Certificates shall be dated their date of delivery and shall mature and bear interest as shown on Exhibit A. The Certificates shall be as described in, and shall be executed and delivered and secured under, the Trust Agreement, dated as of June 1, 2020 (the "**Trust Agreement**"), by and among the Town, the Corporation and the Trustee. The Certificates are payable and subject to prepayment as provided in the Trust Agreement.

(b) The Certificates will evidence the direct, undivided fractional interests of the owners thereof in Lease Payments (as such term is defined in the Trust Agreement) to be made by the Town to the Corporation pursuant to a Lease Agreement, dated as of June 1, 2020 (the "**Lease**"), by and between the Town, as lessee, and the Corporation, as lessor.

The net proceeds of the sale of the Certificates will be used: (i) to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works; and (ii) to pay the costs that are incurred in connection with the execution and delivery of the Certificates.

3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to make a bona fide public offering of the Certificates at the initial public offering price or prices set forth on the inside cover page of the Official Statement and in Exhibit A hereto; and, subject to Section 3(c) and 3(d) hereof, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Certificates, and to sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts) and others at prices lower than the initial offering prices set forth in the Official Statement. A "bona fide public offering" shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the Certificates are sold.

(b) The Underwriter agrees to assist the Town and the Corporation in establishing the issue price of the Certificates and shall execute and deliver to the Town and the Corporation at Closing (defined below) an "issue price" or similar certificate, together with copies of supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit H, with such modifications as may be appropriate or necessary, in the reasonable judgment of the

Underwriter, the Town, the Corporation and Special Counsel (as such term is hereinafter defined) to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the Town under this section to establish the issue price of the Certificates may be taken on behalf of the Town by the Town's municipal advisor, Urban Futures, Inc. (the "**Municipal Advisor**") and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

(c) Except as otherwise set forth in Exhibit A attached hereto, the Town and the Corporation will treat the first price at which 10% of each maturity of the Certificates (the **"10% test**"), identified under the column "10% Test Used" in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Town and the Corporation the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the Town and the Corporation the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Certificates of that maturity or (ii) the 10% test has been satisfied as to the Certificates of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Town, the Corporation or Special Counsel. For purposes of this section, if Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(d) The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Contract at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column "Hold the Offering Price Rule Used," as of the date of this Purchase Contract, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the Town, the Corporation and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Town and the Corporation to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "**hold-the-offering-price rule**"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following.

(A) the close of the fifth (5th) business day after the sale date; or

(B) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Town and the Corporation promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(e) The Underwriter confirms that:

(A) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(1) (i) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(2) to promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), and

(3) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(B) any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The Town and the Corporation acknowledge that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The Town and the Corporation further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is

a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(g) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(A) "public" means any person other than an underwriter or a related party;

(B) "underwriter" means (i) any person that agrees pursuant to a written contract with the Town and the Corporation (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public);

(C) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(D) "sale date" means the date of execution of this Purchase Contract by the Town, the Corporation and the Underwriter].

4. Official Statement; Continuing Disclosure.

(a) The Town has delivered to the Underwriter the Preliminary Official Statement dated May __, 2020 relating to the Certificates (the "**Preliminary Official Statement**") and will deliver to the Underwriter the final Official Statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i), the "**Official Statement**") within seven business days.

(b) The Town hereby authorizes the use of the Official Statement and the information that is contained therein by the Underwriter in connection with the public offering and the sale of the Certificates. The Town consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Certificates. The Underwriter hereby agrees that it will not send any confirmation requesting payment for the purchase of any Certificates unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees: (1) to provide the Town with the final prices at which the Certificates are sold on a timely basis prior to the Closing; and (2) to take any and all other actions that are necessary to comply with applicable Securities and Exchange Commission ("**SEC**")

rules and Municipal Securities Rulemaking Board (the "**MSRB**") rules that govern the offering, sale and delivery of the Certificates to ultimate purchasers.

(c) In connection with the execution and delivery of the Certificates, and in order to assist the Underwriter in complying with the provisions of SEC Rule 15c2-12 ("**Rule 15c2-12**"), the Town will execute a Continuing Disclosure Certificate (the "**Continuing Disclosure Undertaking**") dated the date of the Closing, under which the Town will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Undertaking is attached as an appendix to the Preliminary Official Statement.

5. Representations, Warranties and Covenants of the Town. The Town hereby represents, warrants and agrees with the Underwriter that, as of the date hereof:

(a) The City Council (the "**City Council**") of the Town has taken official action by Resolution (the "**Town Resolution**") adopted by a majority of the members of the City Council at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing: (i) the execution, delivery and due performance of: (A) the Lease; (B) the Trust Agreement; (C) that certain Site Lease dated as of June 1, 2020 by and between the Town, as lessor, and the Corporation, as lessee (the "**Site Lease**"); (D) the Continuing Disclosure Undertaking; and (E) this Purchase Contract (collectively, the "**Town Agreements**") and the Official Statement; and (ii) the taking of any and all such actions as may be required on the part of the Town to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The Town is a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "**State**") and has all necessary power and authority to adopt the Town Resolution and to enter into and perform its duties under the Town Agreements.

(c) By all necessary official action, the Town has: (i) duly adopted the Town Resolution; (ii) duly authorized the preparation and delivery of the Preliminary Official Statement; (iii) duly authorized the preparation, execution and delivery of the Official Statement; (iv) duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Town Agreements; and (iv) duly authorized the consummation by the Town of all other transactions that are contemplated by the Town Resolution, the Town Agreements, the Preliminary Official Statement, the Official Statement. When executed and delivered, the Town Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto, as applicable) will be in full force and effect and will each constitute the legal, valid and binding agreement or obligation of the Town, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles that relate to or limit creditors' rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the Town's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement (other than under the caption "THE CORPORATION") do not and will not contain any untrue statement of a material fact or omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not

misleading (except that no representation is made with respect to information relating to DTC and DTC's book-entry system).

(e) Except as described in the Preliminary Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against, and notice of which has been served on and received by, the Town or, to the best knowledge of the Town, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Town, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of Town Agreements or the Certificates or the exclusion of the interest with respect to the Certificates from taxation; (iii) in any way question or affect the Purchase Contract or the transactions that are contemplated by the Purchase Contract, the Official Statement or any other agreement or instrument to which the Town is a party relating to the Certificates; or (iv) have a material adverse effect on the ability of the Town to make Lease Payments when due.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Town that is required for the execution and delivery of this Purchase Contract and the Town Agreements or the consummation by the Town of the other transactions that are contemplated by the Official Statement or the Town Agreements.

(g) Any certificate that is signed by any official of the Town who is authorized to do so shall be deemed a representation and warranty by the Town to the Underwriter as to the statements that are made therein.

(h) The Town is not in default, and at no time has the Town defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) If any event occurs of which the Town has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Town shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Town will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. All expenses thereby incurred will be paid by the Town, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with the MSRB's Electronic Municipal Market Access system.

(j) The Town has not been subject to any continuing disclosure undertakings in the past five years.

(k) The Town will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request and at the expense of the Underwriter in order: (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Certificates for

investment under the laws of such states and other jurisdictions. The Town will not be required to execute a general or special consent to service of process or to qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) The Town is not in any material respect in breach of or default under: (i) any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either; (ii) any applicable judgment or decree; or (iii) any loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the Town is a party, which breach or default has or may have an adverse effect on the ability of the Town to perform its obligations under the Town Agreements, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Town Agreements, if applicable, and compliance with the provisions on the Town's part that are contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the Town is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Town or under the terms of any such law, regulation or instrument, except as may be provided by the Town Agreements.

(m) The financial statements relating to the receipts, expenditures and cash balances of the Town as of June 30, 2019 that are attached as an appendix to the Preliminary Official Statement fairly represent the receipts, expenditures and cash balances of the Town as of such date. Except as disclosed in the Preliminary Official Statement or as otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Town or in its operations since June 30, 2019 and there has been no occurrence, circumstance or combination thereof that is reasonably expected to result in any such materially adverse change.

(n) The Town will refrain from taking any action, or permitting any action to be taken, with regard to which the Town may exercise control, that results in the loss of the tax-exempt status of the interest with respect to the Certificates.

(o) The execution and delivery of this Purchase Contract by the Town shall constitute a representation by the Town to the Underwriter that the representations and warranties contained in this Section 5 are true and correct as of the date hereof.

6. Representations, Warranties and Covenants of the Corporation. The Corporation warrants, represents to and agrees with the Underwriter that:

(a) The Corporation is a nonprofit public benefit corporation, organized and validly existing under the laws of the State of California, and has, and at the Closing Date will have full legal right, power and authority (i) to enter into, execute, deliver and perform its obligations under this Purchase Contract and (ii) to carry out, give effect to and consummate the transactions on its part contemplated by this Purchase Contract, the Trust Agreement, the Lease, the Site Lease, that certain Assignment Agreement dated as of June 1, 2020, by and between the Corporation and the Trustee (the "Assignment Agreement") (collectively, the "**Corporation Documents**"), and the Official Statement.

(b) The Board of Directors of the Corporation has duly and validly adopted a resolution (the "**Corporation Resolution**"), which: (i) approved and authorized the execution and delivery of the Corporation Documents, and (ii) authorized and approved the performance by the Corporation of its obligations contained in, and the taking of any and all action on its part as may be necessary to carry out, give effect to and consummate the transactions on its part contemplated by, the Official Statement, the Trust Agreement, and this Purchase Contract.

(c) As of the date hereof, the Corporation is not in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Corporation is a party or is otherwise subject or bound, and the performance by the Corporation of its obligations under the Certificates, the Corporation Documents and any other instruments contemplated by any of such documents, and compliance by it with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Corporation is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the Corporation of its obligations under the Certificates or the Corporation Documents.

(d) The statements and information contained in the Preliminary Official Statement as of its date, and in the Official Statement as of its date and as of the Closing, solely as such statements and information relate to the Corporation, are true, correct and complete in all material respects, do not contain an untrue statement of a material fact or omit any statement or information that is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body to which the Corporation is a party and has been served with a summons or other notice thereof, is pending, or to the knowledge of any Authorized Officer of the Corporation (as defined in the Corporation Resolution), threatened, in any way affecting the existence of the Corporation or the titles of its officers to their respective offices or seeking to restrain or to enjoin the execution and delivery of the Certificates, or in any way contesting or affecting the validity or enforceability of the Certificates, the Corporation Documents or any action of the Corporation contemplated by any of such documents.

(f) The execution and delivery of this Purchase Contract by the Corporation shall constitute a representation by the Corporation to the Underwriter that the representations and warranties contained in this Section 6 are true and correct as of the date hereof.

7. The Closing.

(a) At 8:00 A.M., Pacific Standard Time, on June __, 2020, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Town and the Corporation (the "**Closing Date**"), the Town shall deliver or cause to be delivered to the Trustee the Certificates in definitive form, registered in the name of Cede & Co., as the nominee of DTC (so that the Certificates may be executed and delivered by the Trustee and credited to the account specified by the Underwriter under

DTC's FAST procedures) (the "**Closing**"). Prior to the Closing, the Town and the Corporation shall deliver, at the offices of Jones Hall, A Professional Law Corporation ("**Special Counsel**") in San Francisco, California, or at such other place as is mutually agreed upon by the Underwriter, the Town and the Corporation, the other documents that are described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Certificates as set forth in Section 1 in immediately available funds to the order of the Trustee.

(b) The Certificates shall be executed and delivered in fully registered form and shall be prepared and delivered as one Certificate for each maturity registered in the name of Cede & Co., as nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Certificates, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Certificates in accordance with the terms of this Purchase Contract.

8. Conditions to Underwriter's Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Town and the Corporation that are set forth herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Town and the Corporation of their obligations to be performed hereunder and the performance by the Town and the Corporation of their respective obligations to be performed under the documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) The representations and warranties of the Town and the Corporation that are contained in this Purchase Contract shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing.

(b) The representations and warranties of the Town and the Corporation that are contained in the Trust Agreement and the Lease shall be true and correct in all material respects on and as of the date of the Closing.

(c) As of the date of the Closing, the Official Statement shall have been delivered within the time period set forth in Section 4 and shall not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter.

(d) (i) As of the date of the Closing: (A) the Town Resolution; (B) the Town Agreements; (C) the Corporation Resolution; and (D) the Corporation Agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Town and the Underwriter; (ii) the Town shall perform or shall have performed all of its obligations that are required under or specified in the Town Resolution and the Town Agreements to be performed at or prior to the date of the Closing; and (iii) the Corporation shall perform or shall have performed all of its obligations that are required under or specified in the Corporation Resolution and the Corporation Agreements to be performed at or prior to the date of the Closing.

(e) As of the date of the Closing, all necessary official action of the Town relating to the Town Agreements, the Town Resolution, and the Official Statement, and all necessary official action of the Corporation relating to the Corporation Agreements, the Corporation Resolution, and the

Official Statement, shall have been taken, shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(f) Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in the financial affairs of the Town or the Corporation, as described in the Official Statement, the Town Agreements and the Corporation Agreements, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Certificates.

(g) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

(A) Certified copies of the Town Resolution and the Corporation Resolution.

(B) Duly executed copies of the Town Agreements and the Corporation Agreements.

(C) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Town.

(D) An approving opinion of Special Counsel, dated as of the Closing Date, as to the validity of the Certificates and the exclusion of interest on the Certificates from federal and State income taxation, addressed to the Town, substantially in the form that is attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter and the Trustee.

(E) A supplemental opinion of Special Counsel, dated as of the Closing Date, addressed to the Underwriter, to the effect that:

(1) The Purchase Contract has been duly executed and delivered by the Town and is valid and binding upon the Town, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(2) The Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(3) The statements contained in the Official Statement on the cover and under the captions "INTRODUCTION" (excluding therefrom the statements pertaining to DTC or its book-entry system), "THE LEASED PROPERTY—Release and Substitution of Leased Property," "THE CERTIFICATES" (excluding therefrom the statements pertaining to DTC or contained under the subcaption "—Book-Entry System"), "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" (excluding therefrom statements contained under the subcaption "— Insurance — General" and "— Insurance — General — Earthquake Insurance") and "TAX MATTERS," and in Appendices C and D, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of certain of the Town Agreements and the form and content of Special Counsel's final approving opinion, are accurate in all material respects.

(F) A letter of Jones Hall, A Professional Law Corporation as disclosure counsel to the Town and the Corporation in connection with the Certificates ("**Disclosure Counsel**"), addressed to the Underwriter, to the effect that during the course of serving as Disclosure Counsel in connection with the execution and delivery of the Certificates and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the execution and delivery of the Certificates that would lead them to believe that the Preliminary Official Statement as of its date or the Official Statement as of its date or as of the Closing Date (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Preliminary Official Statement or the Official Statement, information regarding DTC and the book-entry system for the Certificates, and the appendices to the Preliminary Official Statement or the Official Statement, as to which no opinion need be expressed), contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(G) An opinion of the City Attorney, dated as of the Closing Date, addressed to the Town, the Corporation, the Trustee, and the Underwriter, substantially in the form attached hereto as Exhibit F.

(H) An executed Rule 15c2-12 certificate of the Town, dated as of the date of the Preliminary Official Statement, in the form attached hereto as Exhibit B.

(I) An executed closing certificate of the Corporation, dated as of the Closing Date, in the form attached hereto as Exhibit C.

(J) An executed closing certificate of the Town, dated as of the Closing Date, in the form attached hereto as Exhibit D.

(K) The opinion of counsel of the Trustee, dated as of the Closing Date, addressed to the Corporation, the Town and the Underwriter, in the form attached hereto as Exhibit E:

(1) The Trustee is a national banking association that is duly organized, validly existing and in good standing under the laws of the United States of America, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Trust Agreement and the Assignment Agreement and to enter into the Trust Agreement and the Assignment Agreement; and

(2) The Trust Agreement and the Assignment Agreement have been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Trust Agreement and the Assignment Agreement constitute legal, valid and binding agreements of the Trustee, enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(L) A certificate or certificates, dated as of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer of officers of the Trustee to the effect that the Trustee: (i) has accepted the duties imposed by the Trust Agreement and the Assignment

Agreement; (ii) is authorized to carry out such duties in its capacities as Trustee; and (iii) has executed and delivered the Certificates in its capacity as Trustee.

(M) Evidence of required filings with the California Debt and Investment Advisory Commission.

(N) A copy of the executed Blanket Issuer Letter of Representations by and between the Town and/or the Corporation and DTC relating to the book-entry system.

(O) A title insurance policy insuring the Town's fee title to and sub-leasehold interest in the Leased Property (defined in the Trust Agreement) and the Corporation's leasehold interest in the Leased Property.

(P) Evidence (or a certificate of an appropriate official of the Town) that the Town maintains property, casualty and rental interruption insurance for the Leased Property that meets the requirements of the Lease.

(Q) Evidence that the ratings that are assigned to the Certificates as of the date of the Closing are as set forth in the Official Statement.

(R) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Trust Agreement and the Assignment Agreement and the execution and delivery of the Certificates by the Trustee.

(S) An opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, counsel to the Underwriter, addressed to the Underwriter and in form and substance satisfactory to the Underwriter.

(T) A report of Lumesis as to compliance by the Town and related entities with their respective continuing disclosure undertakings.

(U) An opinion of Parker & Covert LLP, as counsel to the Corporation, dated as of the Closing, addressed to the Town, the Corporation, the Trustee and the Underwriter, substantially in the form attached hereto as Exhibit G.

(V) A tax certificate with respect to the maintenance of the tax-exempt status of the Certificates, duly executed by the Town, together with Form 8038-G, duly executed by the Town.

(W) Specimen Certificates, duly executed by the Trustee.

(X) a certificate, dated the Closing Date, signed by a duly authorized official of Urban Futures, Inc., in its capacity as municipal advisor to the Town (in such capacity, the "Municipal Advisor") to the effect that, (A) in connection with its participation in the preparation of the Preliminary Official Statement and the Official Statement and without undertaking any independent investigation and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Preliminary Official Statement or the Official Statement, nothing has come to the attention of the Municipal Advisor that would lead it to believe that the statements and information contained in the Preliminary Official Statement as of the date thereof and the date hereof and the or the Official Statement as of its date and the Closing Date

contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(Y) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Special Counsel may reasonably request to evidence compliance by the Corporation and the Town with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the Town that are set forth herein and of the Official Statement and the due performance or satisfaction by the Corporation and the Town at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Corporation and the Town.

All of the opinions, letters, certificates, instruments and other documents that are mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Town and the Corporation are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates that are contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates shall be terminated for any reason that is permitted by this Purchase Contract, this Purchase Contract shall terminate and none of the Underwriter, the Town, or the Corporation shall be under further obligations hereunder, except that the respective obligations of the Underwriter, the Town and the Corporation that are set forth in Section 12 of this Purchase Contract shall continue in full force and effect.

9. Conditions to Town's Obligations. The performance by the Town of its obligations under this Purchase Contract is conditioned upon: (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the Town of opinions addressed to the Town, receipt by the Underwriter of opinions addressed to the Underwriter (except to the extent waived by the Underwriter) and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the Town.

10. Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Certificates by notifying the Town and the Corporation of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(A) the marketability of the Certificates or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by any decision that has been issued by a court of the United States (including the United States Tax Court) or of the State, by any ruling or regulation (final, temporary or proposed) that has been issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service or other governmental agency of the United States, or any governmental agency of the State, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State by the Governor of the State in an executive communication, affecting the tax status of the Corporation or the Town, their property or income, their debt or contractual obligations (including the Certificates) or the interest

thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(B) (1) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any escalation of current or other outbreak or escalation of hostilities or a national or international calamity or crisis or (2) there shall have occurred any other calamity or crisis in the financial markets of the United States or elsewhere, or the escalation of such outbreak, calamity, or crisis, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Certificates;

(C) there occurs a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

(D) a stop order, ruling, regulation or official statement by, or on behalf of, the SEC is issued or made to the effect that the issuance, offering or sale of the Certificates is or would be in violation of any provision of the Securities Act of 1933, as then in effect, the Securities Exchange Act of 1934, as then in effect, or the Trust Indenture Act of 1939, as then in effect;

(E) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Certificates are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or the Trust Indenture Act of 1939, as then in effect;

(F) in the reasonable judgment of the Underwriter, the market price of the Certificates, or the market price of obligations of the general character of the Certificates, might be materially and adversely affected because additional material restrictions that are not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(G) the Office of the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Certificates or obligations of the general character of the Certificates, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(H) a general banking moratorium is established by federal, New York or State authorities;

(I) any legislation, ordinance, rule or regulation is introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the reasonable opinion of the Underwriter, after consultation with the Town, materially adversely affects the market price of the Certificates;

(J) any federal or State court, authority or regulatory body takes action that materially and adversely affects the collection of Lease Payments under the Trust Agreement; or

(K) any rating of the Certificates is downgraded, suspended, withdrawn or placed on credit watch by a national rating service, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Certificates;

(L) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the Town or the Corporation refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Certificates or the ability of the Underwriter to enforce contracts for the sale of the Certificates;

(M) an order, decree or injunction is issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication is issued or made by or on behalf of the SEC, or any other governmental authority that has jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(N) additional material restrictions that are not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Certificates; or

(O) the commencement of any action, suit or proceeding that is described in Section 5(e) or Section 6(e).

11. Changes to Official Statement. After the Closing, the Town will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the "end of the underwriting period" (as such term is defined herein), whichever occurs first, if any event that relates to or affects the Certificates, the Trustee, the Town or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances that exist at the time it is delivered to a purchaser, the Town will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances that exist at the time that the Official Statement is delivered to a purchaser, not misleading. The Town shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

As used herein, the term "**end of the underwriting period**" means the later of such time as: (i) the Town causes the Certificates to be delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be the date of the Closing. Any notice that is delivered pursuant to this provision shall be written notice delivered to the Town at or prior to the date of the Closing and shall specify a date (other than the date of the Closing) to be deemed the "end of the underwriting period."

12. Payment of Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Town shall pay the following expenses incident to the performance of the Corporation's and the Town's obligations hereunder:

(i) the fees and disbursements of Special Counsel and Disclosure Counsel;

(ii) the cost of printing and delivering the Certificates, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 11 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisors and any other experts or consultants retained by the Corporation or the Town, including the City Attorney; and

(iv) any other expenses and costs of the Corporation and the Town incident to the performance of their respective obligations in connection with the authorization, execution and sale of the Certificates, including out-of-pocket expenses and regulatory expenses, reimbursement to the Underwriter for any meals and travel for Town or Corporation employees or officers that were paid for by the Underwriter and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Certificates including, but not limited to:

(i) all advertising expenses in connection with the offering of the Certificates; and

(ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Certificates (including without limitation the fees and expenses of its counsel and MSRB, CUSIP Bureau, and California Debt and Investment Advisory Commission fees), except as provided in clause (a) above or as otherwise agreed to by the Underwriter and the Town.

13. Notices. Any notice or other communication to be given to the Town and the Corporation under this Purchase Contract may be given by delivering the same in writing to the Town and the Corporation at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Eric McKean, Director

14. Survival of Representations, Warranties, Agreements. All of the Town's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Certificates pursuant to this Purchase Contract. The agreements in this Section and in Section 12 shall survive any termination of this Purchase Contract.

15. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Town, the Corporation and the Underwriter (including its successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter, the Town or the Corporation without the prior written consent of the other party.

16. Severability. In the event that any provision of this Purchase Contract is held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

17. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

18. Governing Law. This Purchase Contract shall be governed by the laws of the State.

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19. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the Town and the Corporation, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Title: Authorized Officer

Accepted:

TOWN OF ATHERTON

By: _____
Title: Authorized Officer

Time of Execution: _____ California Time

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By: _____
Title: Authorized Officer

Time of Execution: _____ California Time

EXHIBIT A

$_____
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

MATURITY SCHEDULE

Principal Payment Date (June 1)	*Principal*	*Coupon*	*Yield*	*Price*	*10% Test Used*	*Hold the Offering Price Used*

PREPAYMENT OF CERTIFICATES

Optional Prepayment. The Certificates maturing on or before June 1, 20__, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after June 1, 20__, are subject to prepayment prior to their respective stated maturities, at the option of the Town, in whole, or in part among maturities on such basis as designated by the Town and by lot within any one maturity, on June 1, 20__, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Prepayment from Net Proceeds of Insurance and Condemnation. The Certificates are also subject to mandatory prepayment, in whole or in part, on any date, among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds (defined in the Trust Agreement) of

insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

EXHIBIT B

$_____*
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the Town of Atherton (the "**Town**") and is duly authorized to execute and deliver this certificate on behalf of the Town, and further hereby certifies and reconfirms on behalf of the Town as follows:

(1) This certificate is delivered in connection with the offering and sale of the above-captioned certificates of participation (the "**Certificates**") in order to enable the underwriter of the Certificates to comply with Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "**Rule**").

(2) In connection with the offering and sale of the Certificates, there has been prepared a Preliminary Official Statement, setting forth information concerning the Certificates and the Town (the "**Preliminary Official Statement**").

(3) As used herein, "**Permitted Omissions**" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Certificates depending on such matters, all with respect to the Certificates.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: May __, 2020

TOWN OF ATHERTON

By:_____
Authorized Officer

* *Preliminary; subject to change*.

EXHIBIT C

$_____
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

CLOSING CERTIFICATE OF THE CORPORATION

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the Public Property Financing Corporation of California (the "**Corporation**") and is duly authorized to execute and deliver this certificate. The undersigned and further hereby certifies and reconfirms on behalf of the Corporation as follows:

(i) The covenants, representations and warranties of the Corporation that are contained in the Certificate Purchase Agreement, dated as of May __, 2020, by and between the Town of Atherton and Stifel, Nicolaus & Company, Incorporated, and the Lease Agreement, dated as of June 1, 2020, by and between the Corporation and the Town of Atherton, are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

(ii) The Corporation Resolution, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Corporation has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date hereof relating to the above-captioned certificates of participation (the "**Certificates**").

(iv) The statements and descriptions pertaining to the Corporation in the Official Statement do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(v) No event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect.

Capitalized terms used but not defined herein have the meanings given to such terms in the Purchase Contract.

Dated: _____, 2020

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By:_____
Authorized Signatory

EXHIBIT D

$_____
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

CLOSING CERTIFICATE OF THE TOWN

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the Town of Atherton (the "**Town**") and is duly authorized to execute and deliver this certificate. The undersigned further hereby certifies and reconfirms on behalf of the Town as follows:

(i) The representations, warranties and covenants of the Town that area contained in the Certificate Purchase Agreement, dated May __, 2020 (the "**Purchase Contract**"), by and between the Town and Stifel, Nicolaus & Company, Incorporated, as underwriter, and the Lease Agreement, dated as of June 1, 2020, by and between the Town and the Corporation, are true and correct and in all material respects on and as of the date of the Closing, with the same effect as if made on the date of the Closing.

(ii) The Town Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Town has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date of the Closing relating to the Certificates.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of this certificate, there has been no adverse change in the condition (financial or otherwise) of the Town, whether or not arising in the ordinary course of operations, as described in the Official Statement, that would materially and adversely affect the Certificates or the Town's performance under the Town Agreements.

(v) The Official Statement (other than under the caption "THE CORPORATION" and information relating to DTC and DTC's book-entry system) does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given to such terms in the Purchase Contract.

Dated: _____, 2020 TOWN OF ATHERTON

By:_____
Authorized Officer

EXHIBIT E

OPINION OF COUNSEL TO THE TRUSTEE

June __, 2020

Town of Atherton,
Atherton, California

Public Property Financing Corporation
of California
Westlake Village, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Re: Town of Atherton 2020 Certificates of Participation (Town Center Project)

Ladies and Gentlemen:

I am a Managing Counsel in the Legal Department of The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon") and I am delivering this opinion in connection with the execution and delivery of (i) that certain Trust Agreement dated as of June 1, 2020 (the "Trust Agreement"), among the Public Property Financing Corporation of California (the "Corporation"), the Town of Atherton, and BNY Mellon, as trustee (the "Trustee"), and (ii) that certain Assignment Agreement dated as of June 1, 2020 (together with the Trust Agreement, the "Agreements" and individually, each, an "Agreement"), between the Town and the Trustee. All capitalized terms used herein not otherwise defined shall be as defined in the Agreements.

In rendering the opinions set forth below, I have examined the originals, or copies certified to my satisfaction, of such agreements (including, without limitation, the Agreements), certificates and other statements of government officials and corporate officers of BNY Mellon, documents and other papers as I deemed relevant and necessary as a basis for such opinion and have relied as to factual matters on representations, warranties and other statements therein. With respect to parties other than BNY Mellon, in such examination, I have assumed the authenticity of all documents submitted to me as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all documents submitted to me as copies. In my examination of documents (including, without limitation, the Agreements) executed by parties other than BNY Mellon, I have also assumed that, if the opinions set forth in paragraphs (1) through (4) below referred to such parties and such documents, such opinions would be true and correct with respect to such parties and such documents.

The opinions expressed herein are limited to the laws of the State of California and the Federal law of the United States, and I do not express any opinion herein concerning any other law.

Based upon the foregoing, I am of the opinion that:

(1) BNY Mellon is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the Agreements, and any other documentation relating to the Agreements, and to perform its obligations under the Agreements.

(2) The execution and delivery by BNY Mellon of the Agreements and any other documentation relating to the Agreements, and its performance of its obligations under the Agreements, have been and are as of the date hereof duly authorized by all necessary corporate action.

(3) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by BNY Mellon of the Agreements.

(4) The Agreements have been duly executed and delivered by BNY Mellon and constitute the valid and legally binding obligations of BNY Mellon enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

My opinions are subject to the following assumptions and qualifications:

I express no opinion as to (a) any transactions not specifically referred to herein; (b) any provision of the Agreements to the extent it provides that a party is entitled to recover more than its actual damages under such Agreement; (c) any right, remedy or provision of the Agreements (including without limitation any termination payment provisions thereof) which, if determined to be a penalty, a court or other authority or body may have the discretion to invalidate or decline to enforce; (d) the enforcement of rights with respect to indemnification and contribution obligations; (e) any provision relating to severability; (f) any provision purporting to waive or limit rights to trial by jury, oral amendments to written agreements or rights of set-off; (g) any provision relating to submission to jurisdiction, venue or service of process; (h) any provision purporting to prohibit, restrict or require the consent of the other party for the transfer of, or the creation, attachment or perfection of a security interest in, an Agreement or an interest therein, which may be limited by applicable law or considerations of public policy; (i) any provision that provides that the rights of the parties to an Agreement may not be assigned by a party without the prior written consent of the other party or parties, which may be limited by the Uniform Commercial Code; (j) the tax consequences of any transaction under the Agreements; (k) any Federal securities laws, pension and employee benefit laws (e.g., ERISA), anti-money laundering laws, trading with the enemy laws, or other laws of special or general application not normally covered in an opinion on capacity and enforceability, in accordance with market practice; or (l) the priority, perfection, attachment or validity of any security interest created under the Agreements or the enforcement of remedies in connection therewith.

This opinion is based upon facts and law in existence on the date hereof and I disclaim any obligation to advise you of any changes therein occurring after the date hereof. This opinion is given for the use and benefit of the addressees and no other party or entity is entitled to rely on it.

Very truly yours,

Rhea L. Ricard
Managing Counsel

EXHIBIT F

_____, 2020

Town of Atherton
150 Watkins Avenue
Atherton, California 94027

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104

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

[Trustee]
[Address]

Opinion of City Attorney

with reference to

$_____
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

Ladies and Gentlemen:

In my capacity as the City Attorney of the Town of Atherton (the "**Town**"), in connection with the execution and delivery of the above-referenced certificates of participation (the "**Certificates**"), I have examined such documents, certificates and records as I have deemed relevant and necessary as the basis for the opinion set forth herein. Capitalized terms used and not otherwise defined herein shall have the same meanings as assigned to them in the Certificate Purchase Agreement, dated April __, 2020 (the "**Purchase Contract**"), by and between Stifel, Nicolaus & Company, Incorporated, as underwriter, and the Town.

Relying on my examination described above and pertinent law and subject to the limitations and qualifications set forth hereinafter, I am of the following opinion:

1. The Town is a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California.

2. The resolution of the City Council of the Town (the "**Town Resolution**") relating to the Certificates has been duly adopted at a meeting of such City Council that was duly called and held on [April 15, 2020] pursuant to law, with all required public notice and at which a quorum was present and acting throughout. The Town Resolution is in full force and effect and has not been amended or repealed.

3. The Town has duly authorized, executed and delivered the Town Agreements. Assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Town Agreements constitute legal, valid and binding agreements of the Town that are enforceable against the Town in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer,

moratorium, reorganization or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

4. Except as disclosed in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been accomplished on the Town) or, to the best of my knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the Town or the titles of its officers to their respective offices; (b) in any way question or affect the validity or enforceability of the Town Agreements or the Certificates; (c) find illegal, invalid or unenforceable the Town Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the execution and delivery of the Certificates to which the Town is a party; or (d) have a material adverse effect on the ability of the Town to make Lease Payments under the Lease when due.

5. The execution and delivery of the Town Agreements and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, trust agreement, contract, agreement or other instrument to which the Town is a party or is otherwise subject or bound in a manner which would materially adversely affect the Town's performance under the Town Agreements.

6. The Certificates are payable from the Lease Payments and other amounts in the manner and to the extent provided in the Trust Agreement. The Town is duly authorized to make such Lease Payments (as defined in the Trust Agreement) and other payments and amounts described in the Trust Agreement, and no further action on the part of the Town or any other party is required to perfect the same or the interest of the Certificate Owners therein.

The opinion is based on such examination of the laws of the State of California as I deemed relevant for the purposes of this opinion. I have not considered the effect, if any, of the laws of any other jurisdiction upon matters covered by this opinion. I have assumed the genuineness of all documents and signatures, presented to me. I have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. I express no opinion as to the status of the Certificates, the interest thereon or the Town Agreements under any federal securities laws, any state securities or "Blue Sky" law or any federal, state or local tax law. Without limiting any of the foregoing, I express no opinion as to any matter other than as expressly set forth above.

I am furnishing this opinion as City Attorney to the Town. Except for the Town, no attorney-client relationship has existed or exists between me and the addressees hereof in connection with the Certificates or by virtue of this opinion. This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. I disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without my prior written consent.

Respectfully submitted,

EXHIBIT G

_____, 2020

Town of Atherton
150 Watkins Avenue
Atherton, California 94027

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104

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

[Trustee]
[Address]

$_____
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

Ladies and Gentlemen:

We have acted as counsel to Public Property Financing Corporation of California (the "**Corporation**") in connection with execution and delivery by the Town of Atherton (the "**Town**") of its 2020 Certificates of Participation (Town Center Project) evidencing principal in the aggregate amount of $_____ (the "**Certificates**"). As such, we have examined that certain Lease Agreement, as of dated June 1, 2020 (the "**Lease Agreement**"), by and between the Corporation and the Town, that certain Site Lease, dated as of June 1, 2020, (the "Site Lease"), by and between the Corporation, that certain Assignment Agreement, dated as of June 1, 2020 (the "Assignment Agreement"), by and between the Corporation and [Trustee], as trustee (the "Trustee"), and that certain Trust Agreement, dated June 1, 2020 (the "**Trust Agreement**"), by and among the Trustee, the Corporation and the Town. The Lease Agreement, the Site Lease, the Assignment Agreement, and the Trust Agreement are hereinafter referred to collectively as the "**Corporation Documents**."

Based upon the foregoing, we are of the opinion, under existing law, as follows:

(i) the Corporation is duly organized and validly existing as a nonprofit public benefit corporation under the laws of the State of California and is possessed of full power to own and hold real and personal property and to lease and sell the same;

(ii) The resolution of the Corporation (the "**Corporation Resolution**") approving and authorizing the execution and delivery of the Corporation Documents, was duly adopted on [April 15, 2020] at a meeting of the governing body of the Corporation which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) the Corporation has full right and lawful authority to execute and deliver the Corporation Documents and such documents have been duly authorized, executed and delivered by and on behalf of the Corporation and, assuming the due authorization, execution and delivery by the

other parties thereto, are legal, valid and binding obligations of the Corporation that are enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(iv) to the best of our knowledge, after investigation, there is no action, suit, proceeding, inquiry, or investigation before or by any court or public board or body that is pending or threatened wherein an unfavorable decision, ruling, or finding would adversely affect the transactions that are contemplated by the Certificates, the Corporation Documents, or any other agreement, document, or certificate related to such transaction;

(v) insofar as it will have a material adverse effect on the ability of the Corporation to enter into, carry out or perform its obligations under the foregoing agreements or to consummate the transactions contemplated thereby, to the best of our knowledge, after investigation, the Corporation is not in material breach of or default under any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or to which the Corporation or any of its property or assets is otherwise subject, and, to the best of our knowledge, no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

(vi) no authorization, approval, consent, or order of any governmental agency or, to the best of our knowledge, any other person or corporation is required for the valid authorization, execution and delivery of the Corporation Documents on behalf of the Corporation that has not been obtained.

This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. We disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without our prior written consent.

This opinion may be relied upon by Public Property Financing Corporation of California, the Town of Atherton, Stifel, Nicolaus & Company, Incorporated, and [Trustee], and their successors and assigns.

Respectfully submitted,

EXHIBIT H

FORM OF ISSUE PRICE CERTIFICATE

$_____
TOWN OF ATHERTON
2020 CERTIFICATES OF PARTICIPATION
(TOWN CENTER PROJECT)

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated ("Stifel") hereby certifies as set forth below with respect to the sale and issuance of the above-captioned certificates (the "Certificates").

1. ***Sale of the General Rule Maturities***. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. [***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Agreement, dated May ___, 2020, by and between Stifel and the Issuer, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the "General Rule Maturities."

(b) [*Hold-the-Offering-Price Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2020), or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the Town of Atherton.

(e) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is _____, 2020.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).]

Arbitrage Yield. We have calculated the arbitrage yield with respect to the Bonds to be _____% in accordance with the following instructions provided by Special Counsel; such calculation is attached in Schedule __. Special Counsel has advised that yield on the Certificates is the discount rate that, when used in computing the present value as of the issue date of all unconditionally payable payments of principal and interest on the Certificates, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of bonds of the issue as of the issue date. Special Counsel has advised that the issue price is determined based on the prices of each maturity of the Certificates listed in Schedule A. To the extent that we provided the Issuer and Special Counsel with certain computations that show a bond yield, issue price, weighted average maturity and certain other information with respect to the Certificates, these computations are based on our understanding of directions that we have received from Special Counsel regarding interpretation of the applicable law. We express no view regarding the legal sufficiency of any such computations or the correctness of any legal interpretation made by Special Counsel.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a Certificate as to Arbitrage for the Certificates and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, a Professional Law Corporation in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of

the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By:_____

Name:_____

Dated: _____, 2020

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PLACEMENT AGENT ENGAGEMENT AGREEMENT

_____, 2020

Town of Atherton
150 Watkins Avenue
Atherton, California 94027

Re: Town of Atherton 2020 Lease Agreement (Town Center Project)

The Town of Atherton, California (the "Town") proposes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project") and the costs of such financing, in the amount of $_____. In order to provide funds to finance the Project, (a) the Town proposes to lease certain real property and improvements, initially consisting generally of the Holbrook-Palmer Park and the Town's existing civic center, including land and improvements (the "Leased Property"), to the Public Property Financing Corporation of California (the "Corporation") under a Site Lease dated as of _____, 2020 (the "Site Lease"), between the Town, as lessor, and the Corporation, as lessee, in consideration of the payment of an upfront rental payment in an amount which is sufficient to finance the Project, and (b) the Corporation has proposed to sublease the Leased Property back to the Town under a Lease Agreement dated as of _____, 2020 (the "Lease"), between the Corporation, as lessor, and the Town, as lessee, in consideration of the agreement by the Town to pay semiannual lease payments (the "Lease Payments"). In order to raise the funds needed to pay the upfront lease payment under the Site Lease to the Town, the Corporation will assign certain of its rights under the Site Lease and the Lease Agreement, including its right to receive the Lease Payments to Capital One Public Funding, LLC (the "COPF") or another Purchaser (defined below) under an Assignment Agreement between the Corporation and the COPF or another Purchaser (defined below) (the "Assignment Agreement"). The net Site Lease payment (after costs of the financing are paid) shall be placed into a separate fund held by _____ and shall be disbursed to pay costs of the Project pursuant to the terms of a [Project Fund Escrow Agreement] dated as of _____, 2020 (the "Project Fund Agreement") between the Town and _____. The Site Lease, Lease, Assignment Agreement, and Project Fund Agreement are referred to collectively herein as the "Financing Documents" and the transaction contemplated by the Financing Documents is referred to herein as the "Financing."

Capitalized terms used but not defined herein have the meanings given to such terms in the Lease.

This Placement Agent Engagement Agreement (this "Agreement") confirms the agreement between the Town and Stifel, Nicolaus & Company, Incorporated (the "Placement Agent") as follows:

1. **Engagement**. The Town hereby engages the Placement Agent as its exclusive agent to assist the Town in placing the Financing on a best efforts basis with one or more purchasers, including without limitation COPF (each, a "Purchaser"), each of which shall be a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933 (the "Securities Act") or an "accredited investor," as defined in Rule 501(a)(1),(2),(3), or (7) under the Securities Act, as represented by each Purchaser in an executed Investor Letter in the form attached hereto as Exhibit B (the "Investor Letter") on a private placement basis (the "Placement"). Execution and delivery of the Financing Documents by the Town and the Corporation, respectively, and payment by the Purchaser of the Site Lease Payment (the "Proceeds") will occur on the day of closing ("Closing Date"). The Town acknowledges and agrees that the Placement Agent's engagement hereunder is not an agreement by the Placement Agent or any of its affiliates to underwrite or purchase the Lease Payments or other interests in the Financing or otherwise provide any financing to the Town. The Placement Agent hereby accepts this engagement upon the terms and conditions set forth in this Agreement.

2. **Fees and Expenses**.

   (a) For its services under this Agreement, the Town agrees to pay the Placement Agent an aggregate placement fee for services under this Agreement and compensation for the Placement Agent's legal counsel of $42,000.00 payable on the Closing Date.

   (b) In the event the Town terminates this Agreement and within twelve (12) months thereafter sells the Financing (whether in the structure currently contemplated or structured as lease revenue bonds or certificates of participation, or otherwise) to an investor identified by the Placement Agent to the Town prior to such termination, the amounts payable above shall be immediately due and payable by the Town.

3. **Disclosure and Due Diligence**.

   (a) The Town will prepare and provide the Placement Agent with a term sheet and/or other documents including the credit package prepared by the Placement Agent regarding the Town and the Financing (the "Information Package") together with the draft Financing Documents to be used in connection with the Placement (together with all supplements, modifications, and additions thereto prior to the Closing Date, the "Placement Materials"). The Town acknowledges and agrees that it is solely responsible for the completeness, truth, and accuracy of the Placement Materials and that the Placement Agent and each Purchaser may rely upon, as complete, true, and accurate, the Placement Materials and all

information provided by the Town to the Placement Agent for use in connection with the Placement and that the Placement Agent does not assume any responsibility therefor.

(b) The Town will make available to each Purchaser and the Placement Agent such documents and other information which the Purchaser or the Placement Agent reasonably deems appropriate, will provide access to its officers, directors, employees, accountants, counsel and other representatives, and will provide each Purchaser and the Placement Agent the opportunity to ask questions and receive answers from knowledgeable individuals, including Special Counsel (whose opinions each shall receive and upon which they may rely) concerning the Town, the Financing, and the security therefor; it being understood that the Purchasers and the Placement Agent will rely solely upon such information supplied by the Town and its representatives without assuming any responsibility for independent investigation or verification thereof.

(c) In the event that the Placement Agent is unable to complete "due diligence" in order to form a reasonable basis for recommending the Financing to Purchaser either (1) because of the Town's failure to comply with paragraph (a) or (b) of this paragraph or (2) because the Placement Agent uncovers "red flags" about the Town that cause the Placement Agent to be not satisfied that Placement Agent can in good faith recommend the Financing to Purchaser, the Placement Agent may terminate this Agreement without further obligation on the part of the Placement Agent to proceed with the Placement and without any obligation on the part of the Placement Agent to reimburse to the Town any monies advanced by the Town to the Placement Agent.

4. **Representations, Warranties, and Agreements of the Town**. As of the date of this Agreement, unless otherwise stated, the Town represents, warrants, and agrees with the Placement Agent that:

(a) The Town is duly organized and validly existing under the laws of the State of California (the "State") with the power to execute and deliver the Lease, the Site Lease and the Project Fund Agreement, perform the agreements on its part contained therein and in the agreements approved thereby and cause the execution and delivery of the Financing Documents.

(b) The Town will not cause or permit any action to be taken by the Town in the placement of the Financing in violation of the requirements for exemption from registration or qualification of the Site Lease, Lease, and Assignment Agreement under all federal and applicable state securities laws and regulations.

(c) The Town has complied, and in all respects on the Closing Date will be in compliance, with all of the provisions of applicable law of the State.

(d) The Town has duly authorized and approved the execution and delivery of this Agreement and the Financing Documents and the performance of its obligations and the consummation by it of all other transactions contemplated thereby.

(e) On the Closing Date, this Agreement and the Financing Documents will have been duly authorized, executed, and delivered by the Town, and, assuming due authorization, execution and delivery by the other parties thereto, as applicable, constitute legal, valid and binding agreements of the Town enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against the Town in the State.

(f) The Town is not, and on the Closing Date will not be, in breach of or default under any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof, or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Town is a party or is otherwise subject, which breach or default would materially and adversely affect the Town or its ability to perform its duties and obligations under the Financing Documents to which it is a party, and the execution and delivery of the Financing Documents to which it is a party and compliance with the provisions of each will not conflict with or constitute a breach of or default under any applicable law or administrative regulation of the State or under any certificate, agreement or other instrument to which the Town is a party or is otherwise subject, which breach or default would materially and adversely affect the Town or its ability to perform its duties under the Financing Documents to which it is a party.

(g) No action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency, public board or body is, and on the Closing Date will not be, pending or, to the knowledge of the Town, threatened: (i) in any way affecting the existence of the Town or the titles of the members of the City Council to their respective offices, (ii) seeking to prohibit, restrain or enjoin the execution and delivery of the Financing Documents or collection or payment by the Town of any amounts pledged or

to be pledged as security to pay the Lease Payments under the Lease, (iii) in any way contesting or affecting the validity or enforceability of, or the power or authority of the Town to adopt, execute and deliver, or to cause the execution and delivery of, or to enter into (as applicable), the Financing Documents to which it is a party, (iv) contesting in any way the completeness, truth, or accuracy of the Placement Materials, (v) except as disclosed in the Placement Materials, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial position or condition of the Town or would result in any material adverse change in the ability of the Town to pledge or apply the security or source of payment of, or to pay, the Lease Payments, or (vi) contesting the status of the interest component of the Lease Payments as excludable from gross income for federal income tax purposes or as exempt from any applicable state tax.

(h) Regarding information provided by the Town to the Placement Agent:

(1) The Town will furnish the Placement Agent and the Purchaser with the Information Package. The Town represents and warrants that all information made available to the Placement Agent by the Town or contained in the Information Package, when provided will be, and will be at all times thereafter during the period of the engagement of the Placement Agent hereunder, complete, true, and accurate in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made; or

(2) except as otherwise indicated to the contrary in the Town's Financial statements, all historical financial statements of the Town provided to the Placement Agent and each Purchaser will be prepared in accordance with generally accepted accounting principles and practices then in effect in the United States and will fairly present the financial condition and operations of the entities covered thereby in all material respects;

(3) any forecasted financial or market information with respect to the Town or its market provided to the Placement Agent and each Purchaser by the Town has been or will be prepared in good faith with a reasonable basis for the assumptions and the conclusions reached therein.

(i) On the Closing Date, the Town will deliver or cause to be delivered to the Placement Agent:

(1) The opinion of Jones Hall, A Professional Law Corporation, Special Counsel to the Town, dated the Closing Date, in the form attached hereto as Exhibit A, together with a reliance letter to the Placement Agent and the Trustee;

(2) An Investor Letter, dated the Closing Date, in the form attached as Exhibit B hereto, executed by each Purchaser and addressed to the Town and the Placement Agent; and

(3) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Placement Agent or its counsel, if any, and Bond Counsel may reasonably request to evidence compliance by the Town with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Town, and the due performance or satisfaction by the Town at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Town.

5. **Termination**. This Agreement may be terminated by either party upon ten (10) business days' prior written notice; provided that the provisions of Paragraph 2 and obligations thereunder shall not be affected by such termination.

6. **Regulatory Disclosure**. The Town acknowledges, in connection with the execution and delivery of the Financing Documents and the discussions and negotiations relating to the terms of the Financing pursuant to and as set forth in this Agreement, that:

(a) the Placement Agent has acted at arm's length, is acting solely for its own account and is not agent of or advisor to (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), and owes no fiduciary duty to the Town or any other person,

(b) the Placement Agent's duties and obligations to the Town shall be limited to those contractual duties and obligations set forth in this Agreement,

(c) the Placement Agent may have interests that differ from those of the Town, and

(d) the Town has consulted its legal counsel and municipal advisor to the extent it deemed appropriate in connection with the execution

and delivery of the Financing Documents. The Town further acknowledges and agrees that it is responsible for making its judgment with respect to the execution and delivery of the Financing Documents and the process leading thereto. The Town agrees that it will not claim that the Placement Agent acted as a Municipal Advisor to the Town or rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Town, in connection with the execution and delivery of the Financing Documents or the process leading thereto.

7. **Survival of Certain Representations and Obligations**. The respective agreements, covenants, representations, warranties and other statements of the Town and its officers set forth in or made pursuant to this Agreement shall survive execution and delivery of the Financing Documents and payment of the Lease Payments and shall remain in full force and effect, regardless of any investigation, or statements as to the results thereof, made by or on behalf of the Placement Agent.

8. **Notices**. Any notice or other communication to be given to the Town under this Agreement may be given by delivering the same in writing to the Town at its addresses set forth above. Any notice or other communication to be given to the Placement Agent under this Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Eric McKean.

9. **Indemnification and Contribution**.

(a) To the extent permitted by law, the Town agrees to indemnify and hold harmless the Placement Agent, and each person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) the Placement Agent, and its directors, officers, agents, and employees, against any and all losses, claims, damages, liabilities, and expenses to which the Placement Agent may become subject, insofar as such losses, claims, damages, liabilities, or expenses (or actions in respect thereof), arise out of or are based upon (i) a claim in connection with the execution and delivery of the Financing Documents to the effect that any of the Financing Documents or any related security are required to be registered under the Securities Act or any indenture is required to be qualified under the Trust Indenture Act of 1939, or (ii) any statement or information in the Placement Materials that is or is alleged to be untrue or incorrect in any material respect, or any omission or alleged omission of any statement or information in the Placement Materials which is necessary in order to make the statements therein not misleading.

The foregoing indemnity agreement shall be in addition to any liability that the Town otherwise may have.

(b) In case any claim shall be made or action brought against an indemnified party for which indemnity may be sought against the Town as provided above, the indemnified party shall promptly notify the Town in writing setting forth the particulars of such claim or action; but the omission to so notify the Town (i) shall not relieve it from liability under sub-paragraph (a) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the Town of substantial rights and defenses and (ii) shall not relieve it from any liability which it may have to any indemnified party otherwise than under paragraph (a) above. The Town shall assume the defense thereof, including the retention of counsel acceptable to such indemnified party and the payment of all expenses and shall have the right to negotiate and consent to settlement. An indemnified party shall have the right to retain separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel has been specifically authorized by the Town or the Town shall not have employed counsel reasonably acceptable to the indemnified party to have charge of the defense of such action or proceeding or the indemnified party shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Town (in which case the Town shall not have the right to direct the defense of such action or proceeding on behalf of the indemnified party), in any of which events, such legal or other expenses shall be borne by the Town. No party shall be liable for any settlement of any action effected without its consent, but if settled with the consent of the Town or if there is a final judgment for the plaintiff in any action with or without written consent of the Town, the Town agrees to indemnify and hold harmless the indemnified parties to the extent of the indemnities set forth above from and against any loss or liability by reason of such settlement or judgment. Any such settlement must include an unconditional release of each indemnified party from all liability arising out of such action.

(c) If the indemnification provided for above is unenforceable, or is unavailable to the Town in respect of any losses, claims, damages, or liabilities (or actions in respect thereof) of the type subject to indemnification herein, then, to the extent permitted by law, the Town shall, in lieu of indemnifying such person, contribute to the amount paid or payable by such person as a result of such losses, claims, damages, or liabilities (or actions in respect thereof). The

Town's contribution shall be in such proportion as is appropriate to reflect the relative benefits received by the Town, on the one hand, and the Placement Agent, on the other, from the execution and delivery of the Financing Documents. The relative benefits received by the Town on the one hand and the Placement Agent on the other shall be deemed to be in the same proportion as the total net Proceeds paid to the Town upon the execution and delivery of the Financing Documents bear to the fee paid to the Placement Agent pursuant to Paragraph 2 of this Agreement.

10. **No Assignment**. This Agreement has been made by the Town and the Placement Agent, and no person, other than the foregoing and any indemnitee pursuant to Paragraph 9 above, shall acquire or have any right under or by virtue of this Agreement.

11. **Applicable Law**. This Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

12. **Severability**. In the event any provision of this 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.

13. **Counterparts**. This Agreement may be executed in several counterparts (including counterparts exchanged by email in PDF format), each of which shall be an original and all of which shall constitute but one and the same instrument.

Respectfully submitted,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By:_____
Eric McKean, Director

ACCEPTED this [__] day of _____, 2020.

TOWN OF ATHERTON

By_____

EXHIBIT A

FORM OF FINAL OPINION OF BOND COUNSEL

[TO COME FROM BOND COUNSEL]

EXHIBIT B

FORM OF INVESTOR LETTER

Town of Atherton
150 Watkins Avenue
Atherton, California 94027

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104

Re: $_____ Town of Atherton 2020 Lease Agreement (Town Center Project)

Ladies and Gentlemen:

The Town of Atherton, California (the "Town") proposes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project") and the costs of such financing, in the amount of $_____ (the "Proceeds"). In order to provide funds to finance the Project, the Town proposes to lease certain real property and improvements, initially consisting generally of the Holbrook-Palmer Park and the Town's existing civic center, including land and improvements (the "Leased Property"), to the Public Property Financing Corporation of California (the "Corporation") under a Site Lease dated as of _____, 2020 (the "Site Lease"), between the Town, as lessor, and the Corporation, as lessee, in consideration of the payment of an upfront rental payment in an amount which is sufficient to finance the Project, and the Corporation has proposed to sublease the Leased Property back to the Town under a Lease Agreement dated as of _____, 2020 (the "Lease"), between the Corporation, as lessor, and the Town, as lessee, in consideration of the agreement by the Town to pay semiannual lease payments (the "Lease Payments"). In order to raise the funds needed to pay the upfront lease payment under the Site Lease to the Town, the Corporation will assign certain of its rights under the Site Lease and the Lease Agreement, including its right to receive the Lease Payments, to the undersigned (the "Investor") under an Assignment Agreement between the Corporation and the Lender (the "Assignment Agreement"). The net Site Lease payment (after costs of the financing are paid) shall be placed into a separate fund held by _____ and shall be disbursed pursuant to the terms of a [Project Fund Escrow Agreement] dated as of _____, 2020 (the "Project Fund Agreement") between the Town and _____. The Site Lease, Lease, Assignment Agreement and Project Fund Agreement are referred to collectively herein as the "Financing Documents" and the transaction contemplated by the Financing Documents is referred to herein as the "Financing."

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease and the Placement Materials (as defined herein).

This letter is being provided pursuant to a Placement Agent Agreement, dated _____ __, 2020 (the "Placement Agreement"), between the Town and Stifel, Nicolaus & Company, Incorporated (the "Placement Agent").

The Investor acknowledges that the Proceeds will be used for the purpose of: (i) financing the Project; and (ii) paying the costs that are incurred in connection with the execution and delivery of the Financing Documents.

In connection with the Financing, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has the authority and is duly authorized to deliver the Proceeds, execute and deliver the Assignment Agreement, and execute this letter and any other instruments and documents required to be executed by the Investor in connection with the Financing.

2. The Investor (a) is a bank, any entity directly or indirectly controlled by the bank or under common control with the bank, other than a broker, dealer or municipal securities dealer registered under the Securities Exchange Act of 1934, or a consortium of such entities; and (b) has the present intent to hold its interest in the Site Lease and the Lease pursuant to the Assignment Agreement for the full term or earlier prepayment thereof.

3. The Investor is (a) a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), or (b) an "accredited investor" as that term is defined in Rule 501(a)(1),(2),(3), or (7) under the Securities Act.

4. The Investor is not purchasing an interest in the Site Lease and the Lease pursuant to the Assignment Agreement for more than one account or with a view to distributing such interest in the Site Lease and the Lease to any third party(ies).

5. The Investor understands that the Financing Documents are not, and are not intended to be, registered under the Securities Act and that such registration is not legally required as of the date hereof, and further understands that the Financing Documents (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating agency, and (d) will be delivered in a form that may not be readily marketable.

6. The Investor acknowledges that it has either been supplied with or been given access to information, including a term sheet and/or other documents including the credit package and audited financials, which it has requested from the Town and to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Town and the Financing Documents so that, as a reasonable investor, the Investor has been able to make a decision to deliver the Proceeds to

the Corporation pursuant to the Assignment Agreement and the other Financing Documents. The Investor has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the Financing.

7. The Investor has made its own inquiry and analysis with respect to the Financing and the Financing Documents, and other material factors affecting the payment of the Lease Payments by the Town. The Investor is aware that there are certain economic and regulatory variables and risks that could adversely affect the Financing and the Financing Documents. The Investor has reviewed the documents executed in conjunction with Financing, including, without limitation, each of the Financing Documents.

8. The Investor acknowledges and agrees that the Placement Agent and the Town take no responsibility for, and make no representation to the Investor, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Investor's interest in the Site Lease or the Lease, or any securities law or income tax law consequences thereof. The Investor also acknowledges that, with respect to the Town's obligations and liabilities, the Investor is solely responsible for compliance with the restrictions on transfer of the Investor's interest in the Site Lease and Lease pursuant to the Assignment Agreement.

9. The Investor agrees that it is bound by and will abide by the provisions of the [Assignment Agreement] and this Investor Letter relating to transfer of the Investor's interest in the Site Lease and Lease. The Investor also covenants to comply with all applicable federal and state securities laws, rules and regulations in connection with any transfer of the Investor's right to receive Lease Payments pursuant to the Assignment Agreement.

10. The Investor acknowledges that the assignment to the Investor under the Assignment Agreement is made in reliance upon the certifications, representations, and warranties herein by the Investor to the addressees hereto.

11. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

12. All representations of the Investor contained in this letter shall survive the execution and delivery of the Financing Documents as representations of fact existing as of the date of execution and delivery of this Investor Letter.

Date: _____ __, 20__

Very truly yours,

[INVESTOR]

By:_____

Name:_____

Title:_____

TRUST AGREEMENT

Dated as of June 1, 2020

among

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as trustee

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,

and the

TOWN OF ATHERTON

Relating to

$_____
Town of Atherton
2020 Certificates of Participation
(Town Center Project)

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APPENDIX A DEFINED TERMS
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TRUST AGREEMENT

This TRUST AGREEMENT (this "Trust Agreement"), dated as of June 1, 2020, is among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the TOWN OF ATHERTON, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "Town").

BACKGROUND:

1. The Town wishes to finance a portion of the acquisition and construction of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works (the "Project").

2. In order to provide funds to finance a portion of the Project, the Corporation and the Town have entered into a Site Lease dated as of June 1, 2020 (the "Site Lease"), whereby the Town has leased to the Corporation certain land and improvements initially consisting generally of the Holbrook-Palmer Park and the land on which the Project will be located (which is the site of the Town's previous City Hall), as more fully described in Appendix A thereto (the "Leased Property"), and the Corporation has leased the Leased Property back to the Town under a Lease Agreement dated as of June 1, 2020 (the "Lease"), in consideration of the payment by the Town of semiannual lease payments.

3. The Corporation has assigned its right to receive lease payments under the Lease to the Trustee under an Assignment Agreement dated as of June 1, 2020, between the Corporation and the Trustee, and in consideration of such assignment the Trustee has agreed to execute and deliver $_____ aggregate principal amount of Town of Atherton 2020 Certificates of Participation (Town Center Project) (the "Certificates"), each evidencing a direct, undivided fractional interest in the lease payments to be paid by the Town under the Lease, under this Trust Agreement.

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the Town, the Corporation and the Trustee formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions*. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Trust Agreement have the meanings given them in Appendix A hereto.

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 Trust Agreement, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

SECTION 2.01. *Authorization.* The Trustee is hereby authorized and directed upon written request from the Corporation to register, execute and deliver to the Original Purchaser, Certificates in the aggregate principal amount of $_____. The Certificates evidence direct, undivided fractional ownership interests of the Owners thereof in the Lease Payments.

SECTION 2.02. *Date.* Each Certificate shall be dated as of the date of its execution and interest represented thereby shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless:

(a) it is executed following a Record Date and on or before the next succeeding Interest Payment Date, in which event interest represented thereby is payable from such Interest Payment Date,

(b) unless it is executed on or before the first Record Date, in which event interest represented thereby is payable from the Closing Date, or

(c) if, as of the date of any Certificate, interest represented by such Certificate is in default, in which event interest represented thereby shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate.

SECTION 2.03. *Terms of Certificates.* Principal represented by the Certificates is payable on June 1 in each of the respective years and in the respective amounts, and interest represented thereby is computed at the respective rates, as follows:

Maturity Date (June 1)	Principal Amount	Interest Rate

SECTION 2.04. *Fully Registered Form; Interest.* The Certificates will be delivered in the form of fully registered Certificates without coupons in the authorized denominations of $5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The Trustee shall assign the Certificates such alphabetical and numerical designation as the Trustee deems appropriate.

Interest represented by the Certificates is payable on each Interest Payment Date to and including the date of maturity or prepayment, whichever is earlier, as provided in Section 2.09. Said interest represents the portion of Lease Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Lease Payments designated as interest with respect to any Certificate shall 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).

SECTION 2.05. *Book Entry System.*

(a) Original Delivery. The Certificates will be initially delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity of the Certificates. Upon initial delivery, the ownership of each such Certificate will be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee on the Registration Books.

With respect to Certificates the ownership of which is registered in the name of the Nominee, the Town and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Town holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the Town and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository of the beneficial interests in the Certificates to be prepaid if the Town elects to prepay the Certificates in part, (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any amount with respect to principal or interest represented by the Certificates, or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The Town and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificate for the purpose of payment of principal and interest represented by such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers of ownership of such Certificate, and for all other purposes whatsoever. The Trustee shall pay the principal and interest represented by the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal and interest represented by the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner may receive a Certificate evidencing the obligation of the Town to make payments of principal and interest under this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Town shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the Town shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Town or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Town in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Town may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the Town determines to terminate the Depository as such, then the Town shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Town and the Trustee in the issuance of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be executed and delivered. The Depository, by accepting delivery of the Certificates, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Town fails to identify another Securities Depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions hereof.

If the Town determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Town may notify the Depository System Participants of the availability of such certificated Certificates through the Depository. In such event, the Trustee will issue, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Town shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Certificates, all at the Town's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal and interest represented by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.06. *Form and Execution of Certificates.* The Certificates shall be substantially in the form set forth in Appendix B hereto. The Trustee shall execute the Certificates with the manual signature of an authorized signatory of the Trustee. If any person whose signature appears on any Certificate ceases to be an authorized signatory before the date of delivery of said Certificate, such signature shall nevertheless be as effective as if such person had remained an authorized signatory until such date.

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 duly authorized attorney, upon surrender of such Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, manually executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer,

the Trustee shall execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The Town shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange of Certificates. Certificates may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The Town shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee shall 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) any Certificate which the Trustee has selected for prepayment in whole or in part under the provisions of Section 3.02.

SECTION 2.08. *Certificates Mutilated, Lost, Destroyed or Stolen.* If any Certificate is mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. The Trustee shall cancel and destroy every mutilated Certificate so surrendered to it and shall deliver a certificate of destruction to the Town at the request of the Town. If any Certificate is lost, destroyed or stolen, evidence of such loss, destruction or theft must 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 principal amount, interest rate and maturity and numbered as the Trustee shall determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement 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 delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee is not 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 replacement 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 and the Town.

SECTION 2.09. *Payment.* Payment of interest represented by any Certificate on any Interest Payment Date shall 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 Interest Payment Date, such interest to be paid by check mailed on the applicable Interest Payment Date to such Owner, by first class mail postage prepaid, at such Owner's address as it appears on the Registration Books. At the written request of the Owner of Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee prior to the Record Date preceding any Interest Payment Date, the Trustee shall pay interest represented by such Certificates coming due and payable on such Interest Payment Date by wire transfer in immediately available funds to such account in the United States as is specified in such written request. The principal and interest 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 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 Trust 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, or by any bank, trust company or other depository for such Certificates. 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 Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or any Owner's attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not 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 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 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 such person's holding the same shall be proved by the Registration Books.

Nothing in this Section limits 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 binds every

future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee under such request or consent.

SECTION 2.11. *Registration Books.* The Trustee shall keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times be open to inspection by the Town and the Corporation upon prior notice, during regular business hours; 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.

ARTICLE III

PREPAYMENT OF CERTIFICATES

SECTION 3.01. *Prepayment.*

(a) Optional Prepayment. The Certificates maturing on or before June 1, 2025, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after June 1, 2026, are subject to prepayment prior to their respective stated maturities, at the option of the Town, in whole, or in part among maturities on such basis as designated by the Town and by lot within any one maturity, on June 1, 2025, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

(b) Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole or in part, on any date, among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under Section 9.3 of the Lease and Article VI hereof, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

SECTION 3.02. *Selection of Certificates for Prepayment.* Whenever provision is made in this Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. 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 Town and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

SECTION 3.03. *Notice of* Prepayment. When prepayment is authorized or required under Section 3.01, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the Town. Such notice shall:

(a) state the prepayment date and prepayment price;

(b) state the numbers or maturities of the Certificates to be prepaid, if less than all of the then Outstanding Certificates are to be called for prepayment;

(c) if a Certificate is to be prepaid only in part, identify the portion of the Certificate which is to be prepaid;

(d) require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price;

(e) state that interest represented by the Certificates will not accrue after the prepayment date;

(f) state that on the prepayment date the principal represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable; and

(g) in the case of any prepayment of Certificates under Section 3.01(a), state that the Town has the right to rescind the notice as provided in Section 3.04.

The Trustee has no liability for any designation of the CUSIP numbers of the Certificates to be prepaid, and neither the failure to identify the CUSIP numbers of the Certificates to be prepaid nor any incorrect designation of such CUSIP numbers will affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment. .

The Trustee shall mail notice of prepayment by first class mail with postage prepaid, to the Securities Depositories, to the Municipal Securities Rulemaking Board and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least 20 days but not more than 60 days prior to the prepayment date. Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment. Any notice of prepayment may state that it is conditional and subject to rescission as set forth in Section 3.04.

SECTION 3.04. *Rescission of Prepayment Notice.* The Town has the right to rescind any notice of the optional prepayment of Certificates under Section 3.01(a) by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of optional prepayment shall 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 shall not constitute an Event of Default. The Town and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall 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. The sole remedy for failure to post such rescission notice with the Municipal Securities Rulemaking Board

shall be an action in mandamus by the Owners of Certificates for specific performance or similar remedy to compel performance.

SECTION 3.05. *Partial Prepayment of Certificates.* Upon surrender of any Certificate prepaid in part only, the Trustee shall execute, authenticate and deliver to the Owner thereof, at the expense of the Town, 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 3.06. *Effect of Notice of Prepayment.* Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby 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 represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by 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, and shall be held by the Trustee in cash uninvested.

All Certificates paid at maturity or prepaid prior to maturity under the provisions of this Article shall be canceled upon surrender thereof.

SECTION 3.07. *Purchase of Certificates.* In lieu of prepayment of Certificates as provided in this Article, amounts held by the Trustee for such prepayment may, at the written request of the Town Representative received by the Trustee at least 75 days prior to the selection of Certificates for prepayment, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Town may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid.

ARTICLE IV

DISPOSITION OF PROCEEDS OF SALE

SECTION 4.01. *Application of Proceeds.* The proceeds (net of Original Purchaser's discount in the amount of $_____ and plus the amount of original issue premium received on the sale of the Certificates in the amount of $_____) received by the Trustee from the sale of the Certificates on the Closing Date) shall forthwith be deposited by the Trustee in the following respective funds and in the following order of priority:

(a) The Trustee shall deposit the amount of $_____ in the Costs of Issuance Fund.

(b) The Trustee shall transfer the amount of $_____, constituting the remainder of the Certificate proceeds, to the Town for deposit in the Project Fund.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits.

SECTION 4.02. *Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The Trustee shall disburse moneys in the Costs of Issuance Fund to pay the Costs of Issuance upon submission of written requisitions executed by a Town Representative stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On November 1, 2020, the Trustee shall withdraw all remaining moneys in the Costs of Issuance Fund and deposit such moneys in the Lease Payment Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 4.03. *Project Fund*. The Town shall establish, maintain and hold in trust a separate fund to be known as the "Project Fund." The Town shall disburse moneys in the Project Fund from time to time to pay or reimburse the payment of Project Costs. The Town shall maintain accurate records showing all disbursements from the Project Fund, including records which show the name and address of each entity to whom payment is made and the amount and purpose of each payment.

Upon the determination by the Town that the Project has been substantially completed, in accordance with Section 3.3 of the Lease, the Town will withdraw from the Project Fund and transfer to the Trustee, for deposit in the Lease Payment Fund, all amounts remaining on deposit in the Project Fund, and the Town shall thereupon close the Project Fund.

ARTICLE V

LEASE PAYMENTS; LEASE PAYMENT FUND

SECTION 5.01. *Assignment of Rights in Lease.* Under the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee certain of its rights under the Lease, 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. The Town shall pay to the Trustee all Lease Payments and other amounts which have been assigned to the Trustee under the Assignment Agreement. Any 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 the Corporation shall immediately transfer all such Lease Payments and other amounts to the Trustee.

SECTION 5.02. *Lease Payment Fund.* The Trustee shall establish a special fund designated as the "Lease Payment Fund." All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Town and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the Town nor the Corporation has any beneficial right or interest in the Lease

Payment Fund, or the moneys deposited therein, except only as provided in this Trust Agreement, and the Trustee shall apply the Lease Payment Fund solely as set forth in this Trust Agreement.

SECTION 5.03. *Deposits.* The Trustee shall deposit all Lease Payments received by it in the Lease Payment Fund, including any moneys received by the Trustee for deposit therein under Section 5.01 or under Article VI hereof, or Article VIII of the Lease, and any other moneys required to be deposited therein under the Lease or under this Trust Agreement.

SECTION 5.04. *Application of Moneys.* The Trustee shall apply amounts in the Lease Payment Fund solely for the purpose of paying the principal and interest represented by the Certificates as the same become due and payable, in accordance with the provisions hereof.

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 after payment of any applicable fees and expenses 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 Town.

ARTICLE VI

INSURANCE AND CONDEMNATION FUND

SECTION 6.01. *Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award.* Any Net Proceeds of insurance collected by the Town in the event of accident to or destruction of any component of the Leased Property shall be paid to the Trustee under Section 6.1 of the Lease and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" which the Trustee shall thereupon establish. If the Town 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 interests of the Town, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments under Section 9.3 of the Lease and the corresponding prepayment of Certificates under Section 3.01(b), which prepayment shall be made on the first Interest Payment Date for which notice of prepayment can be timely given. Notwithstanding the foregoing provisions of this Section, the determination of the Town to apply Net Proceeds to the prepayment of Certificates is subject to the following:

(a) if the Leased Property is damaged or destroyed in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments allocable to the Leased Property; and

(b) if the Leased Property is damaged or destroyed in part but not in whole, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if the Lease Payments which result after the corresponding abatement thereof under Section 6.3 of the Lease Agreement are sufficient to pay the full amount of principal and interest represented by the Certificates which remain Outstanding after such prepayment.

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 Town, upon receipt of written requisitions of the Town stating with respect to each payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount to be paid and (c) 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. Each such written requisition of the Town 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 the Town shall file a written certificate with the Trustee stating that such work has been completed shall, after payment of all amounts then due and owing to the Trustee hereunder, be paid to the Town.

SECTION 6.02. *Deposit and Application of Net Proceeds of Eminent Domain Award*. 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, and shall be applied and disbursed by the Trustee as follows:

(a) If the Town gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the Town in the Leased Property or the ability of the Town to meet any of its financial obligations under the Lease, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the Town has given written notice to the Trustee of such determination, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.

(b) If the Town gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the Town in the Leased Property or the ability of the Town to meet any of its financial obligations under the Lease, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the Town, or to its order, from said proceeds such amounts as the Town may expend for the repair or rehabilitation of the Leased Property, upon the filing of requisitions of the Town Representative meeting the requirements of Section 6.01.

(c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the Town gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the Town in the Leased Property or the ability of the Town to meet any of its financial obligations under the Lease, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments under Section 9.3 of the Lease and applied to the corresponding prepayment of Certificates under Section 3.01(b), which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section, the Town may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which shall be filed with the Trustee. Any such determination by the Town shall be final.

ARTICLE VII

MONEYS IN FUNDS; INVESTMENTS

SECTION 7.01. *Held in Trust.* The moneys and Permitted Investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Town and the Owners of the Certificates solely for the purposes herein specified, and such moneys, and any income or interest earned thereon, 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 the Corporation, the Trustee, the Town or the Owner of any Certificates.

SECTION 7.02. *Investments Authorized.* Upon the written request of a Town Representative filed with the Trustee at least two Business Days in advance of making the investments set forth in such written request, moneys held by the Trustee in any fund or account hereunder shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the Town to be required to be expended hereunder. In the absence of any written request of the Town directing the investment of uninvested moneys held by the Trustee hereunder, the Trustee shall invest such moneys in Permitted Investments which constitute money market funds; *provided, however*, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written request of the Town specifying a specific money market fund and, if no such written request of the Town is so received, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Whenever in this Trust Agreement any moneys are required to be transferred by the Town to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section.

The Town acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Town the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Town specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Town periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Amounts held by the Town in the Project Fund shall be invested and reinvested by the Town in any investments which are authorized for the investment of funds within the control of the Town pursuant to the laws of the State of California.

SECTION 7.03. *Accounting.* The Trustee shall furnish to the Town, not less than monthly, an accounting (in the form customarily used by the Trustee) of all investments and other transactions made by the Trustee under this Trust Agreement.

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

SECTION 7.05. *Valuation and Disposition of Investments*.

(a) Except as otherwise provided in subsection (b) of this Section, the Town covenants that all investments of amounts deposited in any fund or account created by or under this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the express investment directions of the Town in any written directions of a Town Representative.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued by the Town at their present value (within the meaning of Section 148 of the Tax Code); provided that the Town shall provide written notice to the Trustee as to which funds are subject to a yield restriction.

(c) The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section, the term "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 Tax 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 Tax 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 Tax 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 Town and any 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.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Corporation and the Town for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Trust Agreement. The Corporation and the Town agree that they will maintain a Trustee having a corporate trust office in the State of California and having a combined capital and surplus (or whose related bank holding company has a combined capital and surplus) of at least $50,000,000, and which shall be subject to supervision or examination by Federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually under law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Town and the Corporation covenant that they will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Section so long as any Certificates are Outstanding.

The Trustee is hereby authorized to pay or prepay the Certificates when duly presented as provided herein for payment at maturity, or on prepayment, or on purchase by the Trustee as directed by the Town prior to maturity in accordance with Section 3.06, and to cancel all Certificates upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered under the provisions of this Trust Agreement.

SECTION 8.02. *Acceptance of Trusts.* The Trustee hereby accepts the express trusts imposed upon it by this Trust Agreement, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after 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 or waived) the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement, and shall use the same degree of care and skill in their exercise, as a prudent corporate trustee would exercise or use under the circumstances.

(b) No provision in this Trust Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not in the conclusive opinion of the Trustee satisfactorily assured to it.

(c) The Trustee is not responsible or liable for any recital herein, or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the validity or sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby and the Trustee shall not be bound at any time to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the Town under the Lease. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VII.

(d) The Trustee is not accountable for the use of any Certificates delivered hereunder. The Trustee may become the Owner of Certificates with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Town 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 aggregate principal amount of the Certificates then Outstanding.

(e) The Trustee shall be protected in acting upon any notice, request, requisition, consent, certificate, order, affidavit, letter, telegram, direction, facsimile transmission, electronic mail or other paper or document believed by the trust officer responsible for the administrative of the trusts created hereunder to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in

good faith under this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates delivered in exchange therefor or in place thereof. The Trustee is not bound to recognize any person as an Owner of any Certificate or to take any action at such person's request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative or a Town Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, as provided in Section 8.02(h), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of a Corporation Representative or a Town Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the Town, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Trust Agreement may not be construed as a duty and the Trustee is not answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee extend to its officers, directors, employees and agents.

(h) The Trustee is not required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Town to make any of the Lease Payments to the Trustee required to be made by the Town under the Lease or failure by the Corporation or the Town to file with the Trustee any document required by this Trust Agreement or the Lease to be so filed subsequent to the delivery of the Certificates, by a date certain, unless the Trustee shall be specifically notified in writing of such default by the Corporation, the Town or the Owners of at least 25% in aggregate principal amount of Certificates then Outstanding. All notices or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not any duty) fully to inspect the Leased Property, including all books, papers and records of the Corporation or the Town pertaining to the Leased Property and the Certificates, and to take such memoranda from and with regard thereto as may be desired.

(j) The Trustee is not required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee has the right, but is not required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, which may be deemed desirable by the Trustee for the purpose of establishing the right of the Corporation or the Town to the execution of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action in connection with an Event of Default (including at the direction of the Certificate Owners), the Trustee may require that a satisfactory indemnity bond be furnished by the Certificate Owners, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee has no liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) The Trustee is not responsible for the sufficiency of the Lease, its right to receive moneys under the Lease, or the value of or title to the Leased Property.

(o) The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

(p) 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 the Trustee is not responsible for any misconduct or negligence on the part of any attorney, agent, or receiver appointed with due care. The Trustee shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder and shall be protected in any action taken or suffered by it hereunder in reliance on such advice.

(q) The Trustee is not liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(r) 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 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 Leased Property, 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.

(s) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Town shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Town whenever a person is to be added or deleted from the listing. If the Town elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Town understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the

incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Town shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Town and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Town. 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 directions conflict or are inconsistent with a subsequent written instruction. The Town agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions 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; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Town; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(t) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Certificates.

(u) 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 discharge of the Certificates. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(v) Whenever in the administration of the trusts imposed upon it by 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) may be deemed to be conclusively proved and established by a certificate of the Town and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

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

(x) The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(y) The Trustee may consult with counsel, who may be counsel of or to the Corporation or the Town, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(z) The Trustee is hereby authorized to execute the Assignment Agreement. In acting or omitting to act pursuant to the Assignment Agreement, the Lease, the Site Lease, or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement and the Lease, including, but not limited to, those rights, immunities and indemnities granted to it under this Article.

SECTION 8.03. *Fees, Charges and Expenses of Trustee.* The Trustee shall be entitled to payment and reimbursement by the Town for reasonable fees for its services rendered hereunder and all advances, agent and counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee has a first lien with right of payment prior to payment on account of principal and interest represented by any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively. The Trustee shall be entitled to interest on all moneys advanced by it in the performance of its duties hereunder at the maximum legal rate allowable. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

SECTION 8.04. *Notice to Certificate Owners of Default.* If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, as provided in Section 8.02(h), then the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Certificate, unless such Event of Default has been cured before the giving of such notice; *provided, however* that unless such Event of Default consists of the failure by the Town to make any Lease Payment when due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

SECTION 8.05. *Removal of Trustee.* The Town may remove the Trustee at any time, unless an Event of Default has occurred and is continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (or their attorneys duly authorized in writing) or (c) if at any time the Trustee ceases to be eligible in accordance with Section 8.01, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its

property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' prior written notice of such removal by the Town to the Trustee, whereupon the Town shall appoint a successor Trustee in accordance with Section 8.07.

SECTION 8.06. *Resignation by Trustee.* The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the Town. Upon receiving such notice of resignation, the Town shall promptly appoint a successor Trustee in accordance with Section 8.07. 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 Town shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books.

SECTION 8.07. *Appointment of Successor Trustee.* If the Trustee resigns or is removed under Sections 8.05 or 8.06, respectively, the Town shall promptly appoint a successor Trustee which is qualified under Section 8.01. If the Town for any reason whatsoever fails to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in Section 8.05 or within 30 days following the receipt of notice by the Town under Section 8.06, the Trustee may apply to any federal or state court for the appointment of a successor Trustee meeting the requirements of Section 8.01. Any such successor Trustee appointed by such court will become the successor Trustee hereunder notwithstanding any action by the Town purporting to appoint a successor Trustee following the expiration of such 30 day period.

SECTION 8.08. *Merger or Consolidation.* Any company or association 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 or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 8.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 8.09. *Concerning any Successor Trustee.* Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the Town an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Town, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Town be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Town. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder,

together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where the Assignment Agreement has been filed or recorded.

SECTION 8.10. *Non-Liability of Trustee.* The recitals, statements and representations by the Town 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 Town and the Corporation, as the case may be, and not by the Trustee, and the Trustee has no responsibility, obligation or liability for the correctness of any thereof.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Town or the Corporation of the Leased Property. In no event shall the Trustee be liable for special or consequential damages in connection with or arising from the Lease for the existence, furnishing or use of the Leased Property.

The Trustee is not: (a) responsible for the sufficiency or enforceability of the Lease or the assignment under the Assignment Agreement of its rights to receive Lease Payments; (b) deemed to have knowledge of any Event of Default unless and until it has received written notice thereof; or (c) accountable for the use or application by the Town or the Corporation of any funds which the Trustee has released under this Trust Agreement.

SECTION 8.11. *Actions Through Agents.* 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 is not answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee is not 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.

SECTION 8.12. *Nature of Trust Engagement.* The Trustee undertakes to perform such duties and only such duties as are expressly and specifically set forth in the Trust Agreement and no implied covenants or obligations whatsoever shall be read into the Trust Agreement against the Trustee. In accepting the trusts hereby created, the Trustee acts solely as Trustee and not in its individual capacity. All persons, including without limitation the Owners, the Town and the Corporation having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts hereunder for payment except as otherwise provided herein; *provided, however*, that nothing in this sentence is intended or shall be construed to apply to, or limit the source of payment of, claims against the Trustee arising from the negligence or willful misconduct of the Trustee. Under no circumstances is the Trustee liable in its individual capacity for payment of the obligations represented by the Certificates.

ARTICLE IX

MODIFICATION OR AMENDMENT

SECTION 9.01. *Amendments Permitted.* This Trust Agreement and the rights and obligations of the Owners of the Certificates may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 13.05, has been filed with the Trustee. No such modification or amendment may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate represented thereby or extending the time of payment of interest, or reducing the amount of principal represented thereby, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification hereof, or (c) 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.

This Trust Agreement and the rights and obligations of the Owners of the Certificates may be modified or amended at any time by a supplemental agreement, without the consent of any Certificate Owners, but only to the extent permitted by law and only:

(a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Corporation or the Town;

(b) to cure, correct or supplement any ambiguous or defective provision contained herein;

(c) in regard to questions arising hereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates;

(d) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the Town and the Corporation, to delete or modify any of the provisions hereof or thereof relating to the exclusion from gross income of interest represented by the Certificates for federal income tax purposes; or

(e) to conform to any amendments of the Lease which are permitted to be made under Section 7.5 thereof.

Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto.

SECTION 9.02. *Procedure for Amendment with Written Consent of Certificate Owners.* If the consents of the Owners of the Certificates are required to any amendment hereof under Section 9.01, such amendment shall be required to comply with the provisions of this Section. 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 such Owner's address as set forth on the Registration Books, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in this Section.

Such supplemental agreement may not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 13.05) and a notice has been mailed as hereinafter provided in this Section. 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 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 mail 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 filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

SECTION 9.03. *Effect of Supplemental Agreement.* From and after the time any supplemental agreement becomes effective under this Article, this Trust Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto, and the rights of the affected Certificate Owners, 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 Trust Agreement for any and all purposes.

SECTION 9.04. *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 Owner, provided that proper notation thereof is made on such Certificates.

SECTION 9.05. *Opinion of Counsel.* Prior to executing any supplemental Trust Agreement, the Trustee shall be furnished an opinion of counsel, upon which they may

conclusively rely to the effect that all conditions precedent to the execution of such supplemental Trust Agreement under this Trust Agreement have been satisfied and such supplemental Trust Agreement is authorized and permitted under this Trust Agreement and does not adversely affect the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes or adversely affect the exemption of interest with respect to the Certificates from personal income taxation by the State of California.

SECTION 9.06. *Notice to Rating Agencies*. The Town shall send copies of any proposed amendment or modification hereof to each rating agency which then maintains a rating on the Certificates, at least ten days prior to the effective date of any such amendment or modification.

ARTICLE X

OTHER COVENANTS

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

The Town will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the Town, 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 Town, will deliver the same, or a copy thereof, to the Trustee.

SECTION 10.02. *Observance of Laws and Regulations.* The Town will keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Town, including its right to exist and carry on business as a public agency, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

SECTION 10.03. *Prosecution and Defense of Suits.* The Town 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 and expenses, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

SECTION 10.04. *Recordation and Filing*. The Town shall record and file the Lease or a memorandum thereof, 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 which has no duty to require such actions), 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.

SECTION 10.05. *Tax Covenants.*

(a) Private Business Use Limitation. The Town shall assure that the proceeds of the Certificates are not used in a manner which would cause any of the obligations of the Town under the Lease to become "private activity bonds" under and within the meaning of Section 141(a) of the Tax Code.

(b) Private Loan Limitation. The Town shall assure that no more than the lesser of $5,000,000 or 5% of the aggregate amount of the proceeds of the Certificates are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

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

(d) No Arbitrage. The Town shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates or of any other obligations 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 obligations of the Town under the Lease to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(e) Rebate of Excess Investment Earnings to United States. The Town shall calculate or cause to be calculated all Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The Town shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the Town from any source of legally available funds of the Town.

The Town shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Certificates, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the Town may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Town may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the Town of any of the requirements herein.

SECTION 10.06. *Books and Accounts; Financial Statements; Additional Information.* The Town will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Town. Such books of record and accounts shall at all times during business hours be subject, upon prior written

request, to the reasonable inspection of the Trustee (who has no duty to inspect), or the Owners of not less than 10% in aggregate principal amount of the Certificates then Outstanding, or their representatives authorized in writing.

The Town will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Certificates are Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year. The Town will furnish a copy of such statements, upon reasonable request, to the Trustee and any Certificate Owner. The Trustee shall not be required to review or inspect, and shall not be deemed to have notice of, the contents of any financial statement delivered to the Trustee under this Section, it being expressly understood that the Trustee shall only receive and hold such documents as a repository for examination and copying by any Certificate Owner at such Certificate Owner's expense during business hours on Business Days with reasonable prior notice.

SECTION 10.07. *Continuing Disclosure*. The Town shall comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the Town 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 Town to comply with such Continuing Disclosure Certificate does not constitute an Event of Default; except 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 Town of its obligations under this Section, including seeking mandate or specific performance by court order.

SECTION 10.08. *Further Assurances.* The Corporation and the Town 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 Trust Agreement and the Lease, 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 Town.* Except for the payment of Lease Payments when due in accordance with the Lease and the performance of the other covenants and agreements of the Town contained in the Lease and this Trust Agreement, the Town has 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, except as expressly set forth herein.

SECTION 11.02. *No Liability of the Corporation for Trustee Performance.* Neither the Town nor the Corporation has 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.

SECTION 11.03. *Indemnification of Trustee.* The Corporation and the Town shall jointly and severally indemnify and save the Trustee, its directors, officers, agents and employees harmless from and against (whether or not litigated) all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of any of the following:

(a) the use, maintenance, condition or management of, or from any work or thing done on, the Leased Property by the Corporation or the Town,

(b) any breach or default on the part of the Corporation or the Town in the performance of any of their respective obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Leased Property,

(c) any act of negligence of the Corporation or the Town or of any of their respective agents, contractors, servants, employees, licensees with respect to the Leased Property,

(d) any act of negligence of any assignee of, or purchaser from the Corporation or the Town or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Leased Property,

(e) the application of the proceeds of the Certificates,

(f) the actions of any other party, including but not limited to the acquisition, construction, ownership, operation or use of the Leased Property by the Corporation or the Town, or

(g) the Trustee's exercise and performance of its powers and duties hereunder, the Assignment Agreement, the Lease, the Site Lease or under any other document or agreement executed in connection herewith or therewith.

No indemnification is made under this Section or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trustee, its officers, agents, employees, successors or assigns. The Corporation's and the Town's obligations hereunder will remain valid and binding notwithstanding maturity and payment or discharge of the Certificates and notwithstanding any resignation or removal of the Trustee.

SECTION 11.04. *Opinion of Counsel.* Before being required to take any action, the Trustee may, at the expense of the Town, require an opinion of counsel acceptable to the Trustee, or an opinion of Bond Counsel acceptable to the Trustee with respect to any federal tax matters, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying on any such opinion or certificate obtained by the Trustee.

SECTION 11.05. *Limitation of Rights to Parties and Certificate Owners.* Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be

construed to give any person other than the Town, the Corporation, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust 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 Town, the Corporation, the Trustee and said Owners.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

SECTION 12.01. *Assignment of Rights.* Under the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee certain of the Corporation's rights in and to the Lease (excepting only the Corporation's rights under Sections 4.4, 5.10, 7.3 and 8.4 thereof), including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) 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 (b) 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. *Events of Default Defined.* As provided in Section 8.1 of the Lease, any one or more of the following events constitutes an Event of Default:

(a) Failure by the Town to pay any Lease Payment or other payment required to be paid under the Lease or this Trust Agreement at the time specified in the Lease or this Trust Agreement.

(b) Failure by the Town to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease or in this Trust Agreement, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Town by the Corporation or the Trustee ; *provided, however*, that if in the reasonable opinion of the Town the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the Town commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, which period shall be no longer than 180 days after the delivery date of such written default notice.

(c) The filing by the Town of a voluntary petition in bankruptcy, or failure by the Town promptly to lift any execution, garnishment or attachment, or adjudication of the Town as a bankrupt, or assignment by the Town for the benefit of creditors, or the entry by the Town into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Town in any proceedings instituted under the provisions of the Federal Bankruptcy

Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 12.03. *Remedies.* If an Event of Default occurs, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding after receiving indemnification to its satisfaction the Trustee shall, exercise any and all remedies available under law or granted under the Lease; *provided, however*, that notwithstanding anything herein or in the Lease 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 12.04. *Application of Funds.* All moneys held or received by the Trustee under any right given or action taken under the provisions of this Article or Article VIII of the Lease shall be applied by the Trustee in the order following -

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in taking any remedial action with respect thereto, including reasonable compensation to its agents, attorneys and counsel, and including such other necessary costs relating to the administration of the foregoing and to events leading up thereto and any outstanding fees and expenses of the Trustee; and

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 at the rate set forth in Section 4.3(c) of the Lease (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and 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 12.05. *Institution of Legal Proceedings.* If one or more Events of Default occur 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.

Notwithstanding anything contained herein or in the Lease to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Law, the Trustee may require that a satisfactory indemnity bond, indemnity or

environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and now or hereafter regulated under any Environmental Law, including without limitation, asbestos, petroleum and hydrocarbon products. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action, and such approval cannot be obtained.

Anything herein or the Lease to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the failure to initiate foreclosure proceedings with respect to the Project unless the Trustee is satisfied that the Trustee will not be subject to any liability under any local, state, or federal environmental laws or regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

SECTION 12.06. *Non-waiver.* Nothing in this Article or in any other provision of this Trust Agreement or in the Certificates, affects or impairs the obligation of the Town, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease. No delay or omission of the Trustee or any Certificate Owner 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 the Certificate Owners may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

SECTION 12.07. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or 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 12.08. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, under its duties hereunder, whether upon its own discretion or upon the direction of the

Owners of a majority in aggregate principal amount of the Certificates then Outstanding, it has 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, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by a written request of the Owners of a majority in aggregate principal amount of the Outstanding Certificates opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 12.09. *Limitation on Certificate Owners' Right to Sue Exclusive.* No Owner of any Certificate delivered hereunder may institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust 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 a majority in aggregate principal amount of all the Certificates then Outstanding have requested the Trustee in writing 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 has any right in any manner whatever by its or their action to enforce any right under this Trust 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.

SECTION 12.10. *Possession of Certificates by Trustee Not Required.* All rights and remedies granted to or exercisable by the Trustee hereunder or under the Lease may be exercised by the Trustee without possession of any of the Certificates or the production thereof at the trial or other proceeding relative thereto, and any suit, action or proceeding instituted by the Trustee hereunder or under the Lease shall be brought in its name for the benefit of all the Owners of such Certificates, subject to the provisions of this Trust Agreement.

ARTICLE XIII

DISCHARGE; ADMINISTRATIVE PROVISIONS

SECTION 13.01. *Discharge Hereof.* If and when the obligations represented by any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal and interest represented by such Certificates Outstanding, as and when the same become due and payable, or

(b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates as more particularly described in Section 9.1 of the Lease, said security to be held by the Trustee on behalf of the Town to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, under Section 9.1 of the Lease,

then notwithstanding that such Certificates have not been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the Town with respect to such Certificates shall cease and terminate, except only the obligations of the Corporation and the Town under Sections 10.05 and 11.03 and the obligations of the Trustee under Sections 2.07 and 2.08, and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the Town from funds deposited under paragraph (b) of this Section, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Lease Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) of this Section, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees and expenses) then due, be paid over to the Town.

SECTION 13.02. *Records.* The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the Town, the Corporation and any Owner, or the agent of any of them, at any reasonable time during regular business hours upon prior notice.

SECTION 13.03. *Notices.* Any notice, request, complaint, demand or other communication under this Trust Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication confirmed by telephone, at its number set forth below. Notice shall be effective upon actual receipt. The Corporation, the Town or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Town:	Town of Atherton 150 Watkins Avenue Atherton, California 94027 Attention: Finance Director Fax: (650)752-0552
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: Chief Executive Officer
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 100 Pine Street, Suite 3200 San Francisco, California 94111 Attention: Global Corporate Trust Services

SECTION 13.04. *Disqualified Certificates.* In determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver under this Trust Agreement, Certificates which are owned or held by or for the account of the Town (but excluding Certificates held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided, however*, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Certificates which the Trustee knows to be so owned or held shall be disregarded, and if all Certificates hereunder are so owned or held, then no such Certificates shall be disregarded and shall be deemed Outstanding. Upon request of the Trustee, the Town 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 13.05. *Payment of Certificates After Discharge of Trust Agreement.* Notwithstanding any provisions of this Trust Agreement, but subject to any applicable laws of the State of California relating to the escheat of funds or property, any moneys held by the Trustee in trust for the payment of the principal or interest represented by any Certificates and remaining unclaimed for 2 years after the principal represented by all of the Certificates has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided in this Trust Agreement), if such moneys were so held at such date, or 2 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 (without liability for interest) to the Town 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 Town as aforesaid, the Trustee shall (at the request of and at the cost of the Town) mail, by first class mail postage prepaid, to the Owners of Certificates which have not yet been paid, at the respective 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 Town of the moneys held for the payment thereof.

SECTION 13.06. *Governing Law.* This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 13.07. *Binding Effect; Successors.* This Trust Agreement shall be binding upon and inure to the benefit of the Town, the Corporation and their respective successors and assigns. Whenever in this Trust Agreement either the Corporation, the Town 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 Trust Agreement contained by or on behalf of the Corporation, the Town or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 13.08. *Corporation and Town Representatives.* Whenever under the provisions of this Trust Agreement the Corporation or the Town is required or permitted to take some action, including but not limited to the giving of any approval or the execution of some request, direction or other instrument, such action shall be made on behalf of the Corporation by a Corporation Representative and on behalf of the Town by a Town Representative, and any party hereto shall be fully authorized to rely upon any such action by a Corporation Representative or a Town Representative.

SECTION 13.09. *Execution in Counterparts.* This Trust 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 13.10. *Delivery of Canceled Certificates.* Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee of any Certificates, the Trustee shall cancel and, unless directed in writing by the Town Representative, destroy such Certificates and shall upon request, deliver a certificate of destruction with respect thereto to the Town.

SECTION 13.11. *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 Trust Agreement.

SECTION 13.12. *Waiver of Notice*. Whenever in this Trust 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 are not conditions precedent to the validity of any action taken in reliance upon such waiver.

SECTION 13.13. *Separability of Invalid Provisions*. In case any one or more of the provisions contained in this Trust 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 Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the Town hereby declare that they would have entered into this Trust 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 Trust Agreement may be held illegal, invalid or unenforceable.

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

THE BANK OF NEW YORK MELLON TRUST COMPANY, *as Trustee*

By _____
Authorized Officer

TOWN OF ATHERTON

By _____
Finance Director

Attest:

_____
City Clerk

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By _____
Treasurer

APPENDIX A

DEFINED TERMS

Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in this Appendix A have the respective meanings given them in this Appendix when used in this Trust Agreement and when used in the Lease.

"Additional Payments" means the amounts payable by the Town under Section 4.4 of the Lease.

"Assignment Agreement" means the Assignment Agreement dated as of June 1, 2020, between the Corporation as assignor and the Trustee as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which any Office of the Trustee is located.

"Certificates" means the $_____ aggregate principal amount of Town of Atherton 2020 Certificates of Participation (Town Center Project), executed and delivered and at any time Outstanding hereunder.

"Closing Date" means June __, 2020, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Completion Date" means, with respect to the Project, the date identified as the date of completion thereof in the written certificate of a Town Representative under Section 3.3 of the Lease Agreement.

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

"Corporation Representative" means the Chairperson, Treasurer or Executive Director of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to this Trust Agreement.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Town or the Corporation relating to the execution and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, 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 any charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 4.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.05.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means an event of default under the Lease, as defined in Section 8.1 thereof.

"Excess Investment Earnings" means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Certificates at a yield in excess of the yield on the Lease Payments.

"Federal Securities" means: (a) any 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), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully and unconditionally directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the Town as its fiscal year under written notice filed with the Trustee.

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

"Interest Payment Date" means December 1, 2020, and each June 1 and December 1 thereafter to and including the final date of maturity of the Certificates.

"Lease" means the Lease Agreement dated as of June 1, 2020, between the Corporation as lessor and the Town as lessee of the Leased Property, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

"Lease Payment Date" means, with respect to any Interest Payment Date, the fifth Business Day immediately preceding such Interest Payment Date.

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

"Lease Payments" means all payments required to be paid by the Town under Section 4.3(a) of the Lease, including any prepayment thereof under Article VIIII of the Lease.

"Leased Property" means all of the real property which is more particularly described in Appendix A to the Lease. If the Town exercises its option under Section 4.6 of the Lease with respect to the substitution of property, or if the Town exercises its option under Section 4.7 of the Lease with respect to the release of property, the term "Leased Property" will thereupon be modified accordingly.

"Net Proceeds" means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.05(a).

"Office" means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Corporation and the Town from time to time as the corporate trust office for purposes of this Trust Agreement 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.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, as the original purchaser of the Certificates on the Closing Date.

"Outstanding", when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 13.05) all Certificates theretofore executed and delivered by the Trustee under this Trust Agreement except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates deemed to have been paid under Section 13.01; and (c) Certificates in lieu of or in exchange for which other Certificates has been executed and delivered by the Trustee under Section 2.08.

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

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Town may permit to remain unpaid under Article V of the Lease; (b) the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor which is secured by a lien on the Leased Property; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the Town certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment directions from the Town as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

(a) Federal Securities;

(b) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.

(c) Interest-bearing deposit accounts (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the Town and the Trustee)), demand deposits, time deposits, other deposit products, trust funds, trust accounts, interest bearing deposits, overnight banking deposits, interest bearing money market accounts or bankers' acceptances in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are insured by the Federal Deposit Insurance Corporation.

(d) Commercial paper rated "A-1+" or better by S&P at the time of the purchase thereof.

(e) Federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which have an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.

(f) Money market mutual 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, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

(h) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

(i) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project" means the acquisition, construction and improvement by the Town of certain real property and improvements located within the Town and constituting facilities for Town Administration, the Police Department, the Building Department and Public Works. The Town reserves the right to amend the description and scope of the Project from time to time in its sole discretion, and to add additional capital projects which will be used for the municipal purposes of the Town.

"Project Costs" means, with respect to the Project, all costs of the acquisition, construction and improvement 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 improvement of the Project;

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

(d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, 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 improvement of the Project;

(e) any sums required to reimburse the Corporation or the Town for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the Corporation or the Town, which are properly chargeable to the acquisition, construction and improvement of the Project;

(f) all financing costs incurred in connection with the acquisition, construction and improvement of the Project, including but not limited to Costs of Issuance and other costs incurred in connection with this Trust Agreement and the financing of the Project; and

(g) the interest components of the Lease Payments prior to the Completion Date.

"Project Fund" means the fund by that name established and held by the Town under Section 4.03.

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

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

"Rental Period" means each period during the Term of the Lease commencing on and including June 2 in each year and extending to and including the next succeeding June 1, except that the first Rental Period begins on the Closing Date and ends on June 1, 2020.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Town designates in written notice filed with the Trustee.

"Site Lease" means the Site Lease dated as of June 1, 2020, between the Town as lessor and the Corporation as lessee of the Leased Property, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

"S&P" means S&P Global Ratings, its successors and assigns.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

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

"Town" means the Town of Atherton, a general law city and municipal corporation duly organized and existing under the laws of the State of California.

"Town Representative" means the City Manager, Finance Director, City Clerk or any other person authorized by resolution of the City Council of the Town to act on behalf of the Town under or with respect to this Trust Agreement.

"Trust Agreement" means this Trust Agreement, as originally executed or as thereafter amended under any amendments or supplements hereto which are permitted to be made hereunder.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee hereunder.

APPENDIX B

FORM OF CERTIFICATE OF PARTICIPATION

No. R-_____ ***$_____***

TOWN OF ATHERTON
2020 CERTIFICATE OF PARTICIPATION
(Town Center Project)

Evidencing the Direct, Undivided Fractional Interest of the
Owner Thereof in Lease Payments to be Made by the

TOWN OF ATHERTON

RATE OF INTEREST:	MATURITY DATE:	DATED DATE:	CUSIP:
____%	June 1, _____	June __, 2020	

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

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 (this "Certificate") is the owner of a direct, undivided fractional interest in Lease Payments (the "Lease Payments") payable under a Lease Agreement dated as of June 1, 2020 (the "Lease"), between the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") and the Town of Atherton, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "Town"), which Lease Payments and certain other rights and interests under the Lease have been assigned to The Bank of New York Mellon Trust Company, as trustee (the "Trustee"), having a corporate trust office in Los Angeles, California, or such other or additional offices as the Trustee may designate from time to time as the corporate trust office (the "Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease, on the Maturity Date identified above, or any earlier prepayment date, the Principal Amount identified above representing a direct , undivided fractional share of the portion of the Lease Payments designated as principal, and to receive on December 1, 2020, and semiannually thereafter on June 1 and December 1 of each year (the "Interest Payment Dates") until payment in full of said principal, the Registered Owner's direct, undivided fractional share of the Lease Payments designated as interest coming due during the period immediately preceding each of the Interest Payment Dates.

Interest represented hereby shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (b) unless this Certificate is executed on or before November 15, 2020, in which event interest is payable from the Dated Date identified above. The Registered Owner's share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid share of the portion of the Lease Payments designated as principal by the Rate of Interest per annum identified above, calculated on the basis of a 360-day year comprised of twelve 30-day months. Principal represented hereby is payable in lawful money of the United States of America, upon presentation and surrender hereof at the Trust Office of the Trustee, and interest represented hereby is payable by check mailed by first class mail by the Trustee on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trustee as of the close of business on the 15th day of the month preceding such Interest Payment Date.

This Certificate has been executed and delivered by the Trustee under the terms of a Trust Agreement dated as of June 1, 2020, between the Trustee, the Corporation and the Town (the "Trust Agreement"). The Town has certified that it is authorized to enter into the Lease and the Trust Agreement under the laws of the State of California, for the purpose of leasing certain real property (the "Leased Property") used for the municipal purposes of the Town and thereby providing funds to financing certain capital improvements. Reference is hereby made to the Lease and the Trust Agreement (copies of which are on file at the 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 Town under the Lease, to all of the provisions of the Lease and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The Town is obligated under the Lease to pay the Lease Payments for the Leased Property from any source of legally available funds, subject to certain exceptions as set forth in the Lease. As more fully described in the Lease, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction to the Leased Property in whole or in part, or by reason of eminent domain proceedings with respect to the Leased Property in whole or in part, there is substantial interference with the use and occupancy by the Town of the Leased Property or any portion thereof; such abatement shall be in an amount agreed upon by the Town and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining portions of the Leased Property. The obligation of the Town to pay the Lease Payments does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. The obligation of the Town to pay the Lease Payments does not constitute a debt of the Town, 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.

The Certificates maturing on or before June 1, 2025, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after June 1, 2026, are subject to prepayment prior to their respective stated maturities, at the option of the Town, in whole, or in part among maturities on such basis as designated by

the Town and by lot within any one maturity, on June 1, 2025, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

The Certificates are subject to mandatory prepayment, in whole or in part, on any date, among maturities on a pro rata basis and by lot within a maturity, from certain proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in the Trust Agreement, the Trustee shall mail notice of prepayment of the Certificates by first class mail, postage prepaid, not less than 20 nor more than 60 days before the prepayment date, to the registered owners of the Certificates 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 or the cessation of accrual of interest represented thereby. 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. Notice of the optional prepayment of the Certificates may be rescinded by the Town under and in accordance with the provisions of the Trust Agreement.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the 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, representing the same aggregate principal amount and representing the same rate of interest, will be delivered to the transferee in exchange herefor. The Town, the Corporation and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Town, the Corporation and the Trustee shall not be affected by any notice to the contrary.

The Trustee is not required to register the transfer or exchange of any Certificate during the period in which the Trustee is selecting certificates for prepayment or any Certificate selected for prepayment.

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 a majority 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 extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

The Trustee has no obligation or liability to the owners of the Certificate to make any payment of the interest or principal represented by the Certificates, other than as provided in the Trust Agreement from the Lease Payments and amounts credited thereto received or held by the Trustee. The recitals herein shall be taken as statements of the Corporation and the Town and not of the Trustee. The Trustee has executed this

Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity.

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 such other name as 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 since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by _____, as Trustee, acting under the Trust Agreement.

Execution Date: _____

THE BANK OF NEW YORK MELLON TRUST COMPANY, *as Trustee*

By: _____
Authorized Signatory

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

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, saving and loan associations and credit unions with membership in an approved signature medallion program) pursuant to Securities and Exchange Commission Rule 17Ad-15.

Note: The signature(s) 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.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE ___, 2020

NEW ISSUE – BOOK-ENTRY ONLY

Rating:
S&P 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 Lease Agreement is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

**$_____*
Town of Atherton
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)**

Dated: Date of Delivery **Due: June 1, as shown below**

The Town of Atherton 2020 Certificates of Participation (Town Center Project) (the "Certificates") evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the Town of Atherton (the "Town"), for the right to the use of certain real property and improvements initially consisting generally of the Holbrook-Palmer Park and the Atherton Town Center (the "Leased Property") pursuant to that certain Lease Agreement, dated as of June 1, 2020 (the "Lease Agreement"), by and between the Town, as lessee, and the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "Corporation"), as lessor. The Certificates are being executed and delivered to provide funds to (i) finance a portion of the cost to construct and acquire certain of the improvements and facilities that will constitute a portion of the Atherton Town Center as described herein, and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates. Interest represented by the Certificates is payable on each June 1 and December 1, commencing December 1, 2020.

The Town has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets, and to make the necessary annual appropriations for all such Lease Payments. In the Lease Agreement, the Town has pledged to make such Lease Payments from any source of legally available funds of the Town. *The Town's obligation to make Lease Payments is subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the Town of the Leased Property or any portion thereof.* See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Lease Payments" and "– Abatement."

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company ("DTC"), which will act as securities depository of the Certificates. Interest and principal represented by the Certificates are payable by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See "THE CERTIFICATES – General" and "– Book-Entry Only System."

The Certificates are subject to optional prepayment, and mandatory prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

The obligation of the Town to make the Lease Payments does not constitute a debt of the Town or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State of California is obligated to levy or pledge any form of taxation or for which the Town or the State of California has levied or pledged any form of taxation.

MATURITY SCHEDULE
See inside front cover

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also acting as Disclosure Counsel to the Town. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. In addition, certain legal matters will be passed upon for the Town by Kronick Moskovitz Tiedemann & Girard, Sacramento, California. It is anticipated that the Certificates, in book entry only form, will be available for delivery through the facilities of DTC on or about June __, 2020.

STIFEL

The date of this Official Statement is: _____, 2020.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

* *Preliminary; subject to change.*

MATURITY SCHEDULE

**$_____*
TOWN OF ATHERTON
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)**

(Base CUSIP† _____)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					

* *Preliminary; subject to change.*

† Copyright 2020, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the Town nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

TOWN OF ATHERTON

CITY COUNCIL MEMBERS

Rick DeGolia, *Mayor*
Elizabeth Lewis, *Vice Mayor*
Bill Widmer, *Council Member*
Cary Wiest, *Council Member*
Michael Lempres, *Council Member*

TOWN STAFF

George Rodericks, *City Manager*
Anthony Suber, *Deputy City Manager and City Clerk*
Robert Barron III, *Finance Director*

SPECIAL COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Daly City, California

No dealer, broker, salesperson or other person has been authorized by the Town or the Corporation to give any information or to make any representations with respect to the Certificates other than those contained in this Official Statement and, if given or made, such other information or representations 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 any offer to buy nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement shall not be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information contained in this Official Statement has been furnished by the Town, the Corporation and other sources, which are believed to be reliable. Summaries and references to statutes and documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute or document. 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 Town, the Corporation or any other parties described herein since the date hereof.

When used in this Official Statement and in any continuing disclosure by the Town, in any press release and in any oral statement made with the approval of an authorized officer of the Town, 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Town since the date hereof.

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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH 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 DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Town maintains a website. However, the information presented there 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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[INSERT AREA MAP]

OFFICIAL STATEMENT

$_____[*]
Town of Atherton
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)

This Official Statement (which includes the cover page and Appendices hereto) (the "**Official Statement**") provides certain information concerning the execution, sale and delivery of the Town of Atherton 2020 Certificates of Participation (Town Center Project) (the "**Certificates**") of the Town of Atherton, a general law city organized under the laws of the State of California (the "**Town**").

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement.

Issuance of Certificates. The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2020 (the "**Trust Agreement**"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), the Town and the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "**Corporation**"). The Trustee and the Corporation have entered into an Assignment Agreement, dated as of June 1, 2020 (the "**Assignment Agreement**"), pursuant to which the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments scheduled to be paid by the Town due under the Lease Agreement.

The Certificates are being executed and delivered in integral multiples of $5,000. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the inside cover) from its date of delivery until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1, commencing December 1, 2020. The Certificates are subject to prepayment as described herein. See "THE CERTIFICATES – Prepayment."

Use of Proceeds. The net proceeds of the sale of the Certificates will be used to (i) finance a portion of the cost to construct an administration building and related facilities and improvements, including a new Town Hall and corporation yard, that will constitute a portion of the Atherton Town Center, as described herein (collectively, the "**Project**"), and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See "FINANCING PLAN."

[*] *Preliminary; subject to change.*

Ownership of Certificates. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in lease payments (the "**Lease Payments**") to be made by the Town for the right to the use of certain real property and improvements initially consisting of Holbrook-Palmer Park and the Atherton Town Center (the "**Leased Property**"). See "THE LEASED PROPERTY." The Leased Property is currently owned by the Town and will be leased by it to the Corporation under a Site Lease dated as of June 1, 2020 (the "**Site Lease**"). The Corporation will concurrently lease the Leased Property back to the Town pursuant to a Lease Agreement, dated as of June 1, 2020 (the "**Lease Agreement**"), between the Town, as lessee, and the Corporation, as lessor.

Lease Payments. The Town covenants under the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in the operating budget for each Fiscal Year and to make the necessary annual appropriations therefor, subject to abatement as described herein. The Town has covenanted in the Lease Agreement to make such Lease Payments in full from any source of legally available funds of the Town, subject to abatement of the Lease Payments under certain circumstances as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Lease Payments."

Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the Town's right to use and occupy the Leased Property or any portion thereof due to damage or destruction of the Leased Property, or the taking of the Leased Property in eminent domain proceedings. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of hazard insurance or rental interruption insurance are available with respect to the Certificates, Lease Payments (or a portion thereof) may be made during periods of abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement."

Town and County. The Town is located in the County of San Mateo (the "**County**"), approximately 30 miles south of the City and County of San Francisco. The estimated population of the Town as of January 1, 2019 was 7,070 and the Town occupies a land area of approximately 6 square miles. The Town was incorporated in 1923 under the general laws of the State of California (the "**State**"). See "THE TOWN AND TOWN FINANCIAL INFORMATION" for additional information regarding the Town and its finances.

Risks of Investment. Debt service on the Certificates is payable only from Lease Payments and other amounts payable by the Town to the Corporation under the Lease Agreement. For a discussion of some of the risks associated with the purchase of the Certificates, including the potential impact of the COVID-19 pandemic on the Town's operations, see "RISK FACTORS."

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

Miscellaneous. The summaries or references to the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute.

All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

FINANCING PLAN

General

The proceeds of the sale of the Certificates will be used to finance a portion of the cost to construct and acquire the Project, as described below, and pay certain costs of executing and delivering the Certificates.

The Project

The net proceeds of the sale of the Certificates will be used to finance a portion of the cost to construct an administration building and related facilities and improvements, including a new Town Hall and corporation yard, that will constitute a portion of the Atherton Town Center (referred to herein as the Project).

The administration building will house the Town's administrative offices, the Atherton Police Department, the Town's Building Department, and the Town's Public Works Department. The Town Hall will house the new City Council Chambers. When complete, the Project is anticipated to total approximately 34,000 square feet of office and shared public areas (including the City Council Chambers). The total cost of the Project is estimated at approximately $28.7 million. A portion of such cost will be financed with proceeds of the Certificates, with the remainder to be financed with funds on hand of the Town, including community donations.

The Project is part of the Town's Atherton Town Center. In addition to the administration building and related facilities and improvements, including a new Town Hall (which are described in this Official Statement as the Project), the Atherton Town Center is anticipated to include a new public library (the "**Town Library**") that is anticipated to connect to, and include, the historic Town Hall building.

The Town Library is a branch of the San Mateo County Libraries. The San Mateo County Libraries are operated by the San Mateo County Library Joint Powers Authority (the "**Library JPA**"). The Library JPA is comprised of the Town, the cities of Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Portola Valley, San Carlos, Woodside, and the unincorporated areas of the County. The Library JPA is a separate, independent entity with its own Governing Board, consisting of elected officials from each member entity. An Operations Committee composed of city and County representatives from each member entity also provides guidance.

The San Mateo County Libraries receive a portion of property taxes levied on taxable property in the County for operations. Under the Library JPA, jurisdictions retain a portion of the excess funds generated from the jurisdiction's property taxes as long as the basic library services are met. The Town accumulates revenues in excess of annual operating costs for the Town Library in the Town's Library Fund.

The Town anticipates that the cost to complete the new Town Library to total approximately $18.45 million. The Town anticipates financing such cost proceeds on deposit in the Town's Library Fund (of approximately $10,150,000 as of May 1, 2020) and moneys to be provided the Library JPA – not the Town's General Fund. The moneys to be provided by the Library JPA for the new Town Library will offset future property tax revenues in excess of annual operating costs for the Town Library that would otherwise be allocated to the Town's Library Fund.

Completion Date of Atherton Town Center. Construction of the Atherton Town Center, including the Project, commenced in April 2019. Assuming the project progresses as anticipated, the Atherton Town Center, including the Project, is anticipated to be complete in October 2021.

Estimated Sources and Uses of Funds

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

Sources of Funds	
Par Amount of Certificates	$
Plus/Less: [Net] Original Issue Premium/Discount	
Total Sources	$
Uses of Funds	
Project Fund	$
Costs of Issuance[(1)]	
Underwriter's Discount	
Total Uses	$

[(1)] Includes legal, municipal advisory services, rating agency, printing costs, title insurance premium and other miscellaneous costs of issuance.

THE LEASED PROPERTY

General

At the time of the delivery of the Certificates, the Leased Property will consist of the Holbrook-Palmer Park and Atherton Town Center, including all land and improvements thereon. Upon completion of construction of the Atherton Town Center, it is expected that Holbrook-Palmer Park will be released from the Lease Agreement, the Site Lease, and the Assignment Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Release of Holbrook-Palmer Park from Leased Property."

Holbrook-Palmer Park. Holbrook-Palmer Park is owned by the Town. It consists of approximately 22 acres and contains both indoor and outdoor recreation facilities, including a ball field, tennis courts, a playground, gardens, and walking paths. The park also includes structures available for rent, including an historic house of approximately 600 square feet, a pavilion of approximately 2,360 square feet, and a carriage house of approximately 1,160 square feet. The park is located between Middlefield Road and El Camino Road, at Watkins Avenue. The Town's administrative offices, including City Council chambers, are being housed in temporary facilities located at Holbrook-Palmer Park pending completion of the Project. The Holbrook-Palmer Park is subject to certain restrictions that require that it be used for public recreational purposes only. The Town estimates that the value of Holbrook-Palmer Park, including the structures located thereon, exceeds the initial principal amount of the Certificates.

Atherton Town Center. The Atherton Town Center, when complete will consist of the Project and the Town Library. Collectively, the Atherton Town Center is anticipated to consist of approximately 34,000 square feet of usable space and cost an estimated $47.1 million to complete. Construction of the Atherton Town Center commenced in April 2019. The Atherton Town Center, including the Project, is anticipated to be completed in October 2021.

Release and Substitution of Leased Property

The Leased Property is subject to change in whole or in part from time to time under the circumstances permitted in the Lease Agreement. In addition, the Lease Agreement provides, upon final completion of the Project, the Town has the absolute right to release from the Lease Agreement, the Site Lease, and the Assignment Agreement, the portion of the original Leased Property consisting of Holbrook-Palmer Park, subject to satisfaction of certain conditions. Upon completion of construction of the Atherton Town Center, it is expected that Holbrook-Palmer Park will so be released. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution of Leased Property," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – General Release of Leased Property," and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Release of Holbrook-Palmer Park from Leased Property."

THE CERTIFICATES

General

The Certificates evidence and represent the direct, undivided fractional interest of the Owners thereof in the principal and interest components of Lease Payments to be made by the Town pursuant to the Lease Agreement.

The Certificates will be executed and delivered in integral multiples of $5,000. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from its date of execution until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1 (each, an "**Interest Payment Date**"), commencing December 1, 2020.

Interest evidenced by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Certificates (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Prepayment*

Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole, or in part on any date among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Optional Prepayment. The Certificates maturing on or before June 1, 2025, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after June 1, 2026, are subject to prepayment prior to their respective stated maturities, at the option of the Town, in whole, or in part among maturities on such basis as designated by the Town and by lot within any one maturity, on June 1, 2025, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. 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 Town and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

Notice of Prepayment. When prepayment is authorized or required under the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall state the prepayment date and prepayment price; state the numbers or maturities of the Certificates to be prepaid, if less than all of the Outstanding Certificates are to be called for prepayment; if a Certificate is to be prepaid only in part, identify the portions of the Certificate which is to be prepaid; require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price; state that interest represented by the Certificates will not accrue after the prepayment date; state that on the prepayment date the principal and premium, if any, represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable; and in the case of

* *Preliminary; subject to change.*

any optional prepayment of Certificates, state that the Town has the right to rescind the notice as described below.

The Trustee shall mail notice of prepayment by first class mail with postage prepaid, to the Securities Depositories, to the Municipal Securities Rulemaking Board and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least 20 days but not more than 60 days prior to the prepayment date. Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

Right to Rescind Notice of Prepayment. The Town has the right to rescind any notice of the optional prepayment of Certificates by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of optional prepayment shall 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 shall not constitute an Event of Default. The Town and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall 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 Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby and 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 represented thereby to said date of prepayment and premium (if any), shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement shall be canceled upon surrender thereof.

LEASE PAYMENT SCHEDULE

Following is the annual schedule of Lease Payments due with respect to the Certificates. Lease Payments are due five Business Days prior to each Interest Payment Date.

Period Ending (June 1)	*Principal Component*	*Interest Component*	*Annual Total*
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
Total			

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from its date of delivery to its payment date or prepayment date, as the case may be.

The Corporation, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the Town. The Town will pay Lease Payments directly to the Trustee, as assignee of the Corporation. See "– Lease Payments" below.

Covenant to Appropriate Funds for Lease Payments

The Town has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments in each of its annual budgets and to make the necessary annual appropriations (including any supplemental appropriations) from any source of legally available funds of the Town for all the actual amount of such Lease Payments and Additional Payments (as defined in the Lease Agreement). Lease Payments are expected to be derived from revenues of the Town's General Fund. See "THE TOWN AND TOWN FINANCIAL INFORMATION."

Abatement

Lease Payments are to be paid by the Town in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain which is addressed as a separate abatement event) there is substantial interference with the use and occupancy by the Town of the Leased Property or any portion thereof. See "RISK FACTORS – Eminent Domain." The amount of such abatement will be determined by the Town, 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, the Lease Agreement shall continue in full force and effect and the Town waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

To the extent proceeds of an eminent domain or insurance award, including self-insurance, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement.

Action on Default

Should the Town default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may exercise any and all remedies available pursuant

to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is 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. The Corporation and the Trustee (as assignee of the Corporation) have the right to re-enter or re-let the Leased Property and the right to terminate the Lease Agreement. See "RISK FACTORS – Limited Recourse on Default; No Acceleration."

No Reserve Fund

The Town has not funded and will not fund a debt service reserve fund for the Certificates in connection with the execution and delivery of the Certificates.

Lease Payments

For the right to use and occupy the Leased Property, the Lease Agreement requires the Town to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

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

Additional Payments

The Town is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, Additional Payments, which consist of the following: (i) all Costs of Issuance, to the extent not paid from amounts on deposit in the Costs of Issuance Fund, (ii) annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and (iii) all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

Insurance

General. The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; natural disasters; errors and omissions; injury to employees; and unemployment claims.

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the Town records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2019, in the opinion of the Town Attorney, the Town had no material claims, which require loss provisions in the financial statements. Small claims and judgments are recorded as expenditures when paid.

The Town is a member of Pooled Liability Assurance Network ("**PLAN**"), which provides general liability coverage of $5 million above the Town's deductible of $25,000 per occurrence, risk property insurance of $100,000 above the Town's deductible of $5,000 for property damage and $5,000 for auto/vehicle damage. PLAN is governed by a board consisting of representatives from member municipalities. The board controls the operations of PLAN, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

Alliant Insurance Services covers employment theft up to $1 million for each claim and in the aggregate and the Town's deductible is $5,000 per claim.

The Cities Group covers workers' compensation claims up to $1 million each for miscellaneous employees, up to $1.5 million each for safety officers, and has coverage above that limit to a maximum of $10 million. The Town has no deductible for the claims.

Public Liability and Property Damage Insurance. The Town is obligated under the Lease Agreement to maintain or cause to be maintained, throughout the term of the Lease Agreement, comprehensive general liability insurance in protection of the Corporation, the Town, and their respective members, officers, agents, employees and assigns. Such insurance 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. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the Town shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town. Such insurance may be maintained in whole or in part in the form of a program of self-insurance by the Town, or in the form of the participation by the Town in a program which provides pooled insurance. The Town will apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The Town is obligated under the Lease Agreement to maintain throughout the Term of the Lease Agreement casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the Town, whose determination will be final and conclusive. Such insurance will be subject to such deductibles as the Town deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town, and may be maintained in whole or in part in the form of the participation by the Town in a joint powers authority or other program which provides pooled insurance; provided that such insurance may not be maintained by the Town in the form of self-insurance. The Town shall pay the Net Proceeds of such insurance to the Trustee for deposit into the Insurance and Condemnation Fund, as set forth in the Trust Agreement.

Rental Interruption Insurance. The Town will maintain throughout the term of the 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 by the insurance described in the previous paragraph, 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 Town, and may be maintained in whole or in part in the form of the participation by the Town in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the Town 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 Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The Town will cause the Assignment Agreement, the Site Lease and the Lease Agreement to be recorded in the office of the San Mateo County Recorder with respect to the Leased Property. Concurrent with the delivery of the Certificates, the Town will obtain a CLTA title insurance policy, insuring the Town's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate original principal amount of the Certificates. All Net Proceeds received under such title insurance policy are required to be deposited with the Trustee in the Lease Payment Fund and will be credited towards the prepayment of the Lease Payments.

Earthquake Insurance. The Town is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake or flood. The Town does not maintain earthquake insurance on the Leased Property.

Net Proceeds; Form of Insurance. All insurance policies maintained under the Lease Agreement shall name the Corporation and the Trustee as co-insureds, and (other than public liability and property damage insurance policies) shall name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The Town shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance is provided in the form of self-insurance, the Town shall file with the Trustee annually, within 90 days following the close of each fiscal year, a statement of the risk manager of the Town or an independent insurance advisor engaged by the Town identifying the extent of such self-insurance and the amounts held for that purpose, and stating the determination that the Town maintains sufficient reserves with respect thereto and that the self-insurance program is being maintained on an actuarially-sound basis. If any such insurance is provided in the form of self-insurance by the Town, the Town has no obligation to make any payment with respect to any insured event except from those reserves.

Substitution of Leased Property

Pursuant to the Site Lease and the Lease Agreement, the Town has the option at any time to substitute other real property (the "**Substitute Property**") for the Leased Property, or any

portion thereof (the "**Former Property**"), provided that the Town shall satisfy certain conditions precedent set forth in the Lease Agreement, including the following:

(a) No Event of Default has occurred and is continuing under and as defined in the Lease Agreement, and the Town has certified so in writing to the Corporation and the Trustee;

(b) The Town must file with the Corporation and the Trustee, and cause to be recorded in the office of the San Mateo County Recorder an amendment to the Lease Agreement and the Site Lease which adds a description of the Substitute Property and deletes from the Lease Agreement and the Site Lease the description of the Former Property;

(c) The Town must obtain a CLTA policy of title insurance insuring the Town's leasehold estate under the Lease Agreement in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof;

(d) The Town has certified in writing to the Corporation and Trustee that the insurance policies required by the Lease Agreement are in full force and effect with respect to the property which remains subject to this Lease following such substitution;

(e) The Town must certify in writing to the Corporation and the Trustee that such Substitute Property serves the municipal purposes of the Town and constitutes property which the Town is permitted to lease under the laws of the State of California;

(f) The substitution of the Substitute Property for the Former Property does not cause the Town to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement, and the Town has certified so in writing to the Corporation and the Trustee;

(g) The Town must certify in writing to the Corporation and the Trustee that the (i) estimated value of the Substitute Property is at least equal to the aggregate original principal amount of the Certificates, (ii) the fair rental value of the Substitute Property is at least equal to the Lease Payments thereafter coming due and payable hereunder, and (iii) the useful life of the Substitute Property at least equals the lesser of (A) the useful life of the Former Property, or (B) the final Lease Payment Date of the Lease Payments allocable thereto; and

(h) The Town must mail written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Site Lease and the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property. The Town is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of the substitution.

General Release of Leased Property

The Town may, at any time and from time to time, release any portion of the Leased Property (the "**Released Property**") from the Site Lease and the Lease Agreement upon satisfaction of all of the following requirements which are conditions precedent to such release:

(a) No Event of Default has occurred and is continuing under and as defined in the Lease Agreement, and the Town has certified so in writing to the Corporation and the Trustee;

(b) The Town must file with the Corporation and the Trustee, and cause to be recorded in the office of the San Mateo County Recorder an amendment to the Lease Agreement which removes the Released Property from the Site and the Lease Agreement;

(c) The Town has certified in writing to the Corporation and Trustee that the insurance policies required by the Lease Agreement are in full force and effect with respect to the property which remains subject to this Lease following such release;

(d) The Town must certify to the Corporation and the Trustee that the value of the property which will remain leased under the Lease Agreement following such release is at least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement; and

(e) The Town must mail written notice of such release to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Site Lease and the Lease Agreement will thereupon end as to the Released Property. The Town is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

Release of Holbrook-Palmer Park from Leased Property

The Lease Agreement provides that, notwithstanding the foregoing, upon final completion of the Project, the Town shall have the absolute right to release from the Lease Agreement, the Site Lease and the Assignment Agreement, the portion of the original Leased Property consisting of Holbrook-Palmer Park without meeting the conditions described in "– General Release of Lease Property" above, upon satisfaction of the following conditions:

(a) the Town shall deliver a certificate to the Trustee certifying that the Project is compete and the fair rental value of the Project is at least equal to the Lease Payments thereafter coming due and payable hereunder,

(b) the Town shall deliver certify in writing to the Trustee that the insurance policies required by the Lease Agreement are in full force and effect with respect to the Project, and

(c) the Town and the Corporation shall execute a Notice of Release of Leased Property (the "**Notice of Release**"), substantially in the form attached to the Lease Agreement, and the Town shall record the Notice of Release in the real property records of the County.

After the execution and recordation of the Notice of Release, and subject to any future substitution of property or future release of property under the Lease Agreement, references to the Leased Property in the Lease Agreement (and any recorded memorandum thereof), the Site Lease, and the Assignment Agreement shall be deemed to include only the Project and the related site, and shall not be deemed to include Holbrook-Palmer Park so released.

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 purposes 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 Town or with respect to the performance by the Town 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 consist 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.

The Corporation is a non-profit public benefit corporation duly organized and existing under the laws of the State. The Corporation was created for the purpose, among others, of providing assistance to public agencies that wish to finance public improvements. The Corporation is unrelated to the Town.

THE TOWN AND TOWN FINANCIAL INFORMATION

General

The Town is located in the County, approximately 30 miles south of the City and County of San Francisco. The estimated population of the Town as of January 1, 2019 was 7,070 and the Town occupies a land area of approximately 6 square miles.

The Town was incorporated in 1923 under the general laws of the State. The Town has a council-manager form of government. There are five Council Members who are elected at-large to serve overlapping terms of four years, and the Council, in turn, selects Council Members to serve as Mayor and Vice Mayor, for one-year terms.

The legislative body selects a City Manager to administer the affairs of the Town. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council and for overseeing the daily operations of the Town. The Town provides police services, highway and street maintenance, building and safety inspection, parks, culture, recreation, public improvements, planning and zoning, and general administrative services. See "APPENDIX A – THE TOWN OF ATHERTON AND COUNTY OF SAN MATEO DEMOGRAPHIC" for additional demographic information regarding the Town and the County.

Accounting Policies and Financial Reporting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she determines, examines the combined financial statements of the Town in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The most recent audited financial statements (the "**Financial Statements**") of the Town, for the year ended June 30, 2019, included in Appendix B to this Official Statement, have been examined by Maze & Associates, Pleasant Hill, California, independent certified public accountants (the "**Auditor**"). Financial information with respect to the Town in this Official Statement has been derived in part by the Town from its audited financial statements. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the Town or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated January 10, 2020.

Audited financial statements of the Town for prior years are on file for public inspection with the City Clerk. The Auditor has not reviewed or expressed any opinion regarding any portion of this Official Statement other than the Financial Statements.

Fund Balance Policy

The City Council has adopted a Fund Balance Reserve Policy for the General Fund (the "**Fund Balance Policy**"). The Fund Balance Policy provides reserves to maintain fiscal stability, continued operation of government in the event of an emergency, reduce long-term liabilities, plan for operational replacement capital expenses, and mitigate current and future risks.

Under the Fund Balance Policy, the Town has committed to maintaining the following fund balances expressed as a percentage of the Town's annual General Fund operating expenditures:

- 15% for emergency contingencies defined as a state of Federal and/or State emergency or declaration as defined in the Town's Municipal Code (the "**Emergency Disaster Reserve**"); and

- 20% or more in the General Fund unassigned fund balance (the "**General Unassigned Fund Balance**").

In addition, the Town strives to maintain an unallocated reserve balance in the minimum amount of $5 million (the "**Unallocated Reserve Balance**") to address long-term liabilities, and capital projects. As part of such goal, every year the City Council considers an allocation of the unallocated General Fund reserve balance to the Town's Capital Improvement Fund to assist in accumulating funds for future capital projects or other operational uses. As of June 30, 2019, the Unallocated Reserve Balance totaled approximately $20.1 million or approximately 154% of the General Fund operating expenditures for Fiscal Year 2018-19.

Budgetary Process

The fiscal year of the Town begins on the first day of July of each year and ends on the thirtieth day of June of the following year (the "**Fiscal Year**"). The Town's budget process consists of various stages, giving the City Council the opportunity to review the General Fund operations budget, the capital improvement plan, special revenue, and internal service funds. The Town has a core strategy of financial stability and, as part of the budget process, the Town seeks to have ongoing revenues match or exceed expenditures. The budget process provides Town staff the opportunity to examine programs, propose changes in current services, outline operational needs, and recommend the need for capital outlay items to City Council.

For the Town's Fiscal Year 2019-20 Operating and Capital Improvement Budget (the "**2019-20 Town Budget**"), the budget process began in March 2019 with a study session of the City Council covering the projected Fiscal Year 2018-19 year-end fiscal condition, major revenues and expenditures, and policy discussions. Additional study sessions followed in April, May, and June 2019, with the 2019-20 Town Budget being adopted by the City Council at a regular meeting on June 19, 2019.

In February 2020, the Town performed a mid-year review of its 2019-20 Town Budget. Such mid-year review did not address any potential impact of the COVID-19 pandemic on Fiscal Year 2019-20 revenues and expenditures for the balance of the fiscal year. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein. Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic

See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019," Note 2 for a further description of the Town's budget process.

Comparison of Budget to Actual Performance

The Town's budgeted General Fund revenues and expenditures for Fiscal Years 2017-18, 2018-19 and 2019-20, and actual General Fund revenues and expenditures for Fiscal Years

2017-18 and 2018-19, all prepared before the COVID-19 outbreak, are set forth in the following table.

TABLE 1
TOWN OF ATHERTON
General Fund - Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
For Fiscal Years 2017-18, 2018-19 and 2019-20 (budgeted)
Prepared Pre-COVID-19

	2017-18		2018-19		2019-20
	Final Budget	Actual	Final Budget	Actual	Mid-Year Budget[1][2]
REVENUES:					
Property taxes	$11,482,221	$11,191,973	$12,574,166	$12,305,870	$12,811,071
Sales taxes	268,627	313,155	295,999	343,310	316,439
Other taxes	1,234,550	1,280,856	1,300,216	1,260,414	1,392,000
From other govt. agencies	28,892	17,218	12,500	21,749	38,950
Permit and licenses	242,993	240,031	250,283	227,679	262,033
Fines and forfeitures	107,395	329,646	387,251	709,986	158,961
Service charges	2,895,791	2,890,472	3,008,693	2,804,383	2,792,789
Use of money and property	224,193	337,627	275,606	880,259	332,273
Miscellaneous	40,224	46,090	131,205	135,385	128,856
Total Revenues	$16,524,886	$16,647,068	$18,235,919	$18,689,035	$18,233,372
EXPENDITURES:					
Current:					
General govt.	$2,285,378	$2,119,621	$2,335,702	$2,278,852	$2,691,0077
Planning	279,750	281,528	297,630	266,227	337,781
Building	1,373,247	1,274,728	1,451,951	1,190,395	1,322,150
Police	7,175,704	6,762,763	7,685,312	7,468,610	7,971,447
Public works	1,984,865	1,517,689	2,235,562	1,678,723	2,207,420
Capital outlay	239,052	108,693	299,262	141,417	328,541
Total Expenditures	$13,337,996	$12,065,022	$14,305,419	$13,024,224	$14,858,346
REVENUES OVER (UNDER) EXPENDITURES	$3,186,890	$4,582,046	$3,930,500	$5,664,811	$3,375,027
OTHER FINANCING SOURCES (USES):					
Transfers in	$372,000	$372,000	--	--	--
Transfers out	(449,258)	(614,258)	$(235,397)	$(237,929)	$(110,000)
Total other financing sources (uses)	$(77,258)	$(242,258)	$(235,397)	$(237,929)	$(110,000)
Net change in fund balances	$3,109,632	$4,339,788	$3,695,103	$5,426,882	$3,131,885
FUND BALANCES					
Beginning of year	--	$13,006,925	--	$17,346,713	--
End of year	--	17,346,713	--	22,773,595	--

(1) As of February 5, 2020.
(2) Prepared prior to the COVID-19 outbreak. Fiscal year 2019-20 Budget figures do not reflect potential changes related to the COVID-19 outbreak. The Town currently anticipates that aggregate General Fund revenues for Fiscal Year Fiscal Year 2019-20 may be approximately 5% or more lower than the mid-year estimate budget amounts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."
Source: Town of Atherton.

General Fund Financial Summary

The following tables show the Town's General Fund revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity for Fiscal Years 2014-15 through 2018-19.

TABLE 2
TOWN OF ATHERTON
General Fund Revenue, Expenditures and Fund Balances
For Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
REVENUES:					
Property taxes	$8,899,708	$9,602,651	$10,328,709	$11,191,973	$12,305,870
Sales taxes	687,478	423,444	340,074	313,155	343,310
Other taxes	1,289,256	1,220,855	1,242,152	1,280,856	1,260,414
From other governmental agencies	105,216	42,053	23,582	17,218	21,749
Permit and licenses	256,805	175,999	240,700	240,031	227,679
Fines and forfeitures	517,403	82,255	168,238	329,646	709,986
Service charges	2,460,324	2,290,221	2,675,409	2,890,472	2,804,383
Use of money and property	168,249	242,770	189,350	337,627	880,259
Miscellaneous	104,627	28,250	93,544	46,090	135,385
Total Revenues	$14,489,066	$14,108,498	$15,301,758	$16,647,068	$18,689,035
EXPENDITURES:					
Current:					
General government	$2,969,515	$1,758,710	$1,950,378	$2,119,621	$2,278,852
Planning	225,872	208,357	228,252	281,528	266,227
Building	1,353,487	1,053,146	1,199,076	1,274,728	1,190,395
Police	5,656,160	5,961,598	6,483,668	6,762,763	7,468,610
Public works	1,295,136	1,433,983	1,484,587	1,517,689	1,678,723
Capital outlay	121,559	194,849	90,578	108,693	141,417
Total Expenditures	$11,621,729	$10,610,643	$11,436,539	$12,065,022	$13,024,224
REVENUES OVER (UNDER) EXPENDITURES	$2,867,337	$3,497,855	$3,865,219	$4,582,046	$5,664,811
OTHER FINANCING SOURCES (USES):					
Transfers in	$372,000	$372,000	$372,000	$372,000	--
Transfers out	--	(4,234,968)[(1)]	(4,536,136)[(2)]	(614,258)	$(237,929)
Total other financing sources (uses)	372,000	(3,862,968)	(4,164,136)	(242,258)	(237,929)
Net change in fund balances	3,239,337	(365,113)	(298,917)	$4,339,788	$5,426,882
FUND BALANCES					
Beginning of year	$10,431,618	$13,670,955	$13,305,842	$13,006,925	$17,346,713
End of year	13,670,955	13,305,842	13,006,925	17,346,713	22,773,595

(1) In Fiscal Year 2015-16, the City Council approved transfers out of the General Fund of $2,923,041 for capital improvement projects and $1,311,927 for funding worker's compensation insurance and employee benefits.
(2) In Fiscal Year 2016-17, the City Council approved transfers out of the General Fund of $4,423,138 for capital improvement projects and $112,998 for funding worker's compensation insurance and employee benefits.
Source: Town of Atherton, Basic Financial Statements for the Fiscal Years Ended June 30, 2015, 2016, 2017, 2018, and 2019.

TABLE 3
TOWN OF ATHERTON
General Fund Comparative Balance Sheet
For Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
ASSETS					
Cash and investments	$15,480,739	$15,607,133	$16,438,256	$21,671,331	$26,530,939
Receivables:					
Taxes	161,357	150,024	97,886	135,739	252,580
Interest	8,243	14,723	31,314	95,884	141,422
Other	51,069	33,176	72,514	11,360	22,807
Prepaids	--	--	400	58,400	32,473
Due from other funds	9,010	--	--	7,032	--
Total Assets	$15,710,418	$15,805,056	$16,640,370	$21,979,746	$26,980,221
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$492,553	$301,410	$334,406	$527,406	$223,517
Accrued liabilities	181,767	223,206	237,545	288,327	283,085
Deposits payable	1,365,143	1,963,273	3,002,251	3,601,685	3,508,600
Note payable	--	--	--	156,495	140,846
Unearned revenue	--	11,325	59,243	59,120	50,578
Total Liabilities	$2,039,463	$2,499,214	$3,633,445	$4,633,033	$4,206,626
Fund Balances:					
Nonspendable	--	--	$400	$58,400	$32,473
Committed	1,743,259	1,743,259	1,743,259	1,809,753	1,953,634
Assigned	516,300	545,453	583,517	620,859	639,678
Unassigned	11,411,396	11,017,130	10,679,749	14,857,701	20,147,810
Total Fund Balances	$13,670,955	$13,305,842	$13,006,925	$17,346,713	$22,773,595
Total Liabilities and Fund Balances	$15,710,418	$15,805,056	$16,640,370	$21,979,746	$26,980,221

Source: Town of Atherton, Basic Financial Statements for the Fiscal Years Ended June 30, 2015, 2016, 2017, 2018, and 2019.

Tax Receipts

Tax revenues received by the Town include primarily property taxes, sales and use taxes, and other taxes such as franchise taxes and document transfer taxes. Of such taxes, property taxes and other taxes constitute the major sources of General Fund revenues.

The following table summarizes the Town's General Fund tax revenues for Fiscal Years 2014-15 through 2018-19 and amounts budgeted for Fiscal Year 2019-20 (which was prepared before the COVID-19 outbreak), by source.

TABLE 4
TOWN OF ATHERTON
Tax Revenues by Source
For Fiscal Years 2014-15 through 2018-19, and 2019-20 (budgeted)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Mid-Year Budget[3][4]
Property Taxes	$8,899,708	$9,602,651	$10,328,709	$11,191,973	$12,305,870	$12,811,071
Sales Tax[1]	687,478	423,444	340,074	313,155	343,310	316,439
Other Taxes[2]	1,289,256	1,220,855	1,242,152	1,280,856	1,260,414	1,392,000
Total	$10,876,442	$11,246,950	$11,910,935	$12,785,984	$13,909,594	$14,519,510

(1) Represent the sixth largest source of General Fund revenues, or approximately 2% of Fiscal Year 2018-19 General Fund revenues.
(2) Includes franchise taxes and document transfer taxes. Other taxes collectively represent the third largest source of General Fund revenues (behind revenues from charges for services), or approximately 7% of Fiscal Year 2018-19 General Fund revenues. See "– Charges for Services" below for a discussion regarding charges for services.
(3) As of February 5, 2020.
(4) Prepared prior to the COVID-19 outbreak. Fiscal year 2019-20 Budget figures do not reflect potential changes related to the COVID-19 outbreak. The Town currently anticipates that aggregate General Fund revenues for Fiscal Year Fiscal Year 2019-20 may be approximately 5% or more lower than the mid-year estimate budget amounts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."
Source: Town of Atherton.

Property Taxes

General. Property taxes are currently the Town's largest revenue source, accounting for approximately 70% and 66% of the Town's total General Fund revenues in Fiscal Years 2017-18 and 2018-19, respectively. The Town received approximately $11.2 million and $12.3 million of property tax revenues in Fiscal Year 2017-18 and 2018-19, respectively, and has budgeted to receive approximately $12.8 million in property tax revenue for Fiscal Year 2019-20. See "– Assessed Valuation" below.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were curtailed when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund ("**ERAF**"), a shift that has resulted in diversion of Town property taxes since fiscal year 1992-93. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND

APPROPRIATIONS – Proposition 1A." There can be no assurance that the State will not undertake future ERAF shifts.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property, the taxes on which have a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

Delinquency rates are generally higher during a recession, and the Town anticipates that the delinquency rates may be higher than current rates in future years depending on the length of time it takes for the economy to recover from COVID-19 impacts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools 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.

Assessed Valuation History. The following table shows a history of the Town's net taxable assessed valuation from Fiscal Year 2010-11 to Fiscal Year 2019-20.

TABLE 5
TOWN OF ATHERTON
Net Taxable Assessed Valuation
Fiscal Years 2010-11 to 2019-20

Fiscal Year	Net Taxable Assessed Value	% Change
2010-11	$6,169,645,487	--
2011-12	6,373,832,577	3.30%
2012-13	6,949,217,818	9.03
2013-14	7,575,935,532	9.02
2014-15	8,068,565,397	6.50
2015-16	8,791,201,962	9.00
2016-17	9,512,555,665	8.21
2017-18	10,220,091,841	7.44
2018-19	10,941,160,453	7.06
2019-20	11,664,530,505	6.61

Source: HdL, Coren & Cone.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a "decline-in-value." As of the January 1st (lien date) each year, the Assessor must enroll either a property's Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a "Proposition 8 Value." "Proposition 8 values" are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

The Town anticipates the assessed value of taxable property in the Town to increase in Fiscal Year 2020-21. However, the Town estimates that such increase will be negatively impacted by the COVID-19 outbreak as compared to previous fiscal years and Town staff is currently projecting an increase of approximately 4% in secured assessed values within the Town in Fiscal Year 2020-21. In future years, the number of Proposition 8 adjustments may also increase as a result of the COVID-19 impact on the economy. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Largest Property Taxpayers. The following table shows the ten largest property taxpayers in the Town as determined by their net taxable valuations in Fiscal Year 2019-20.

TABLE 6
TOWN OF ATHERTON
Ten Largest Property Taxpayers
Fiscal Year Ending 2019-20

	Property Owner	Land Use	Net Taxable Value	% Total
1.	George R Roberts Trust	Residential	$66,927,917	0.57%
2.	237 Atherton Avenue LLC	Residential	59,451,994	0.51
3.	Bita Daryabari Trust	Residential	50,958,452	0.44
4.	Paul G Roberts Trust	Residential	45,578,253	0.39
5.	Pink Sunset LLC	Residential	43,849,488	0.38
6.	Huwa Holding LLC	Residential	43,095,656	0.37
7.	California Water Service Company	Miscellaneous	39,055,450	0.33
8.	William Tai Trust	Residential	36,686,986	0.31
9.	Century Frontier Limited	Residential	36,043,800	0.31
10.	Farzad Nazem Trust	Residential	34,913,335	0.30
	Total		**$456,561,331**	**3.91%**

Source: HdL, Coren & Cone.

Tax Rates. The basic tax rate for all taxing entities within a particular tax code area is $1 per $100 of assessed valuation in accordance with Article XIIIA of the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters.

Tax Levies, Collections and Teeter Plan. Property taxes on the secured roll are due in two installments, on January 1st and June 1st of the fiscal year. If unpaid, such taxes become delinquent on December 10th and April 10th, respectively, and a 10 percent penalty attaches to any delinquent payment. On July 1, an additional 1½ percent per month is levied on delinquencies for five years. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30th five years after the delinquency occurs. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1st lien date and become delinquent, if unpaid, on August 31st. A six percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one percent per month begins to accrue beginning November 1st of the fiscal year.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The Board of Supervisors of the County has approved the implementation of 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 California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the Town, for which the County acts as the tax-levying or tax-collecting agency. The Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the Town) for which the County acts as the tax-levying or tax-collecting agency. The County Board of Supervisors may also by resolution discontinue the Teeter Plan with respect to any tax levying agency (such as the Town) if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency.

Delinquency rates are generally higher during a recession, and the Town anticipates that delinquency rates may be higher than recent delinquency rates in future years depending on the length of time it takes for the economy to recover from COVID-19 impacts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein.

Charges for Services

Charges for services constituted the Town's second largest source of General Fund revenues for Fiscal Year 2017-18 and 2018-19. In such fiscal years, charges for services accounted for approximately 17.4% and 15.0%, respectively, of the Town's General Fund Revenues. The Town provides various services which generate revenue for its General Fund. General Fund revenues for services provided by the Town include building construction and planning fees and permits, engineering encroachment inspections, tree removal and tree inspection fees, police fees such as fingerprinting, police reports, towing, and administrative citations, rent for leased property, as well as a number of recreation park program fees.

The following table summarizes the Town's General Fund charges for services for Fiscal Years 2014-15 through 2018-19 and amounts budgeted for Fiscal Year 2019-20, by source.

TABLE 7
TOWN OF ATHERTON
Charges for Services by Source
For Fiscal Years 2014-15 through 2018-19, and 2019-20 (budgeted)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Mid-Year Budget[1][2]
Building Permits	$1,006,825	$880,779	$1,111,832	$1,165,834	$1,090,343	$1,083,787
Building Plan Checks	454,040	390,266	477,931	553,541	391,289	475,000
Encroachment Permits	245,845	289,293	331,656	437,971	622,526	500,000
Zoning	293,176	245,529	247,897	230,129	191,067	232,000
Other Charges	460,438	484,354	506,093	502,997	509,158	502,002
Total	$2,460,324	$2,290,221	$2,675,409	$2,890,472	$2,804,383	$2,792,789

(1) As of February 5, 2020.
(2) Fiscal year 2019-20 Budget figures do not reflect potential changes related to the COVID-19 outbreak. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic." The Town currently anticipates that general fund revenues from charges for services for Fiscal Year 2019-20 may be 15-25% lower than the mid-year estimated budget amounts.
Source: Town of Atherton.

Due to the decline in construction activity in response to the COVID-19 outbreak, the Town currently is only issuing building permits for health and safety work and anticipates that general fund revenues from charges for services for Fiscal Year 2019-20 may be 15-25% lower than the mid-year estimate budget amounts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."

No Outstanding Long-Term Obligations

As of June 30, 2019, the Town did not have any long-term debt payable from the Town's General Fund.

Direct and Overlapping Bonded Debt

The statement of direct and overlapping debt (the "**Debt Report**") set forth below was prepared by California Municipal Statistics, Inc. as of April 1, 2020. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The Town takes no responsibility for its completeness or accuracy.

TABLE 8
TOWN OF ATHERTON
Statement of Direct and Overlapping Debt
As of April 1, 2020

2019-20 Assessed Valuation: $11,664,530,505

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/20	
San Mateo Community College District	4.874%	$ 37,368,154	
Sequoia Union High School District	11.360	58,017,224	
Las Lomitas School District	30.508	26,599,925	
Menlo Park City School District	33.865	43,867,054	
Redwood City School District	8.389	16,129,902	
Town of Atherton	**100.000**	**-**	(1)
Midpeninsula Regional Open Space District	3.728	3,310,837	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$185,293,096	
OVERLAPPING GENERAL FUND DEBT:			
San Mateo County General Fund Obligations	4.874%	$25,861,944	
San Mateo County Board of Education Certificates of Participation	4.874	396,744	
Menlo Park Fire Protection District Certificates of Participation	28.138	2,788,476	
Midpeninsula Regional Park District General Fund Obligations	3.728	4,174,823	
TOTAL OVERLAPPING GENERAL FUND DEBT		$33,221,987	
COMBINED TOTAL DEBT		$218,515,083	(2)

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($0).....	**0.00%**
Total Direct and Overlapping Tax and Assessment Debt	1.59%
Combined Direct Debt.....	1.87%

(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.

Investment Policies and Procedures

Funds held by the Town are invested in accordance with the Town's Statement of Investment Policy (the "**Investment Policy**") prepared by the Finance Director/Treasurer as authorized by Section 53601 of the Government code of California. The Investment Policy is submitted to the Town's City Council annually.

The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity, attainment of a market rate of return, and diversification. Further, operating funds may not be invested in any investment with a maturity greater than five years. The Town has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by Town policy. Information about the sensitivity of the fair market values of the Town's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

TABLE 9
TOWN OF ATHERTON
Investments by Maturity
March 31, 2020

	Remaining Maturity (in Months)		
Investment Type	**12 Months or Less**	**13 to 24 Months**	**Total[(1)]**
U.S. Treasury Notes	$1,500,000	$ --	$1,500,000
U.S. Agency Securities	5,100,000	1,470,000	6,570,000
Corporate Notes	2,900,000	2,380,000	5,280,000
San Mateo County Investment Pool (SMCL Donor Trust Fund)	1,783,465	--	1,783,465
Local Agency Investment Fund	23,291,442	--	23,291,442
Money Market Mutual Fund	2,229,434	--	2,229,434
Total Investments	$36,804,341	$3,850,000	$40,654,341
Demand Deposits and Cash on Hand			$6,299,847
	Total Cash and Investments		$46,954,188

(1) Fair market value as of March 31, 2020. Table does not reflect effects of subsequent market volatility, which has been attributed to impacts associated with the COVID-19 outbreak. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."
Source: Town of Atherton.

The Town believes that its funds are prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the Town's expenditures and other scheduled withdrawals. However, future investment earnings are expected to decline resulting from the effect of COVID-19 on current investment values and the lower yields that are expected on the Town's future investments. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein. For additional information concerning the Town investments, see APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Capital Improvement Program

The Town maintains a five-year capital improvement program (the "**Capital Improvement Program**"), which is revised every year in connection with the Town's budget. The 2019-24 Capital Improvement Program includes approximately $60.5 million in capital projects over the next five years, approximately $37.4 million of which is attributable to the Atherton Town Center and approximately $18.4 million of which is attributable to the Town Library. The 2019-24 Capital Improvement Program includes projects associated with the Project, bicycle and pedestrian improvements, Holbrook-Palmer Park, storm drainage, pavement management, and street lights. The Capital Improvement Program has historically been funded by a combination of funds from the General Fund, voter-approved measures, state allocated gas tax funds, the Town's Library Fund, fees collected to finance drainage, and donations.

Pension Plans

*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 Town 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 comprehensive annual 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 Town nor the 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.

Description of Plans. All qualified permanent and probationary employees are eligible to participate in the Town's separate Safety (police) cost-sharing multiple-employer defined benefit pension plan (for employees hired before January 1, 2013, the "**Classic Safety Plan**" and for employees hired on and after January 1, 2013, the "**PEPRA Safety Plan**") and Miscellaneous (all other) cost-sharing multiple-employer defined benefit pension plan (for employees hired before January 1, 2013, "**Classic Miscellaneous Plan**" and for employees hired on and after January 1, 2013, the "**PEPRA Miscellaneous Plan**"). The Classic Safety Plan, PEPRA Safety Plan, Classic Miscellaneous Plan, and PEPRA Miscellaneous Plan are collectively referred to as the "**Pension Plans**." The Pension Plans are administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers.

The most recent actuarial reports for the Pension Plans that are available from CalPERS are for the valuations as of June 30, 2018. As a result, such valuation reports and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the Plans.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

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. The total plan contributions are determined through the CalPERS annual actuarial valuation process. 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 Town is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

The Town's labor contracts ("**MOU**") require the Town to pay the employees' contributions as well as employer's portion, except for the sworn officers, who are responsible for 2% of 9% after the Town makes a 7% contribution. However, as of July 1, 2013, Miscellaneous Plan employees started to pay their own portion of the required employee contribution rate of 7%. The Town and the Atherton Police Officers Association adopted a new MOU on October 1, 2013.

Effective January 1, 2016, the Town ceased paying any portion of the employees' share and the employees pay 100% of the employee share of the mandatory member contribution, presently 9% for sworn officers and 7% for civilian. Beginning with Fiscal Year 2017-18, the Town implemented cost-sharing agreements with its employees that require employees to contribute an additional 1% (Miscellaneous) or 3% (Safety) of the employer contribution. The Town's employer actuarially determined required contribution rates (including unfunded accrued liability contributions) for each Pension Plan as a percentage of payroll for the last three fiscal years and the projected contribution for Fiscal Year 2020-21 are set forth below.

TABLE 10
TOWN OF ATHERTON
CalPERS Town Required Contribution Rates
Fiscal Years 2017-18 through 2020-21[(1)]
By Pension Plan

Pension Plan	2017-18	2018-19	2019-20	2020-21
Classic Miscellaneous Plan	20.642%	25.164%	27.693%	32.313%
PEPRA Miscellaneous Plan	7.070	7.691	7.765	9.013
Classic Safety Plan	43.620	50.908	76.476	74.696
PEPRA Safety Plan	13.137	13.453	14.449	15.002

(1) The rates shown are for July 1 of each year; however, it may not be the rate in effect for the complete fiscal year. Changes in plan benefits, the funding period, prepayments, or other contract changes may not be reflected in these rates.
Source: CalPERS Annual Valuation Actuarial Reports as of June 30 of the years 2016, 2017, and 2018.

The following table shows the Town's actuarially determined contributions for the Miscellaneous Plan (in aggregate for both tiers thereof) and the Safety Plan (in aggregate for both tiers thereof) and as a percentage of payroll for the last five fiscal years.

TABLE 11
TOWN OF ATHERTON
CalPERS Town Contributions
Fiscal Years 2014-15 through 2018-19
By Pension Plan

Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contribution as % of Covered Payroll
2014-15	$179,934	11.27%
2015-16	150,616	8.50
2016-17	305,597	15.98
2017-18	349,365	17.12
2018-19	416,994	19.60

Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contribution as % of Covered Payroll
2014-15	$646,174	27.02%
2015-16	466,548	18.75
2016-17	849,073	35.16
2017-18	939,476	36.01
2018-19	1,042,632	39.02

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

Funded Status. The following tables set forth the schedule of funding for the Pension Plans as of June 30 of the years 2015 through 2018. *The following information was provided to the Town by CalPERS and has not been reviewed for accuracy or audited by the Auditor. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

TABLE 12
TOWN OF ATHERTON
CalPERS Funded Status
As of June 30 of the years 2015 through 2018
By Pension Plan

Classic Miscellaneous Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$15,806,251	$12,571,337	$3,234,914	79.5%	$1,452,348	222.74%
2016	16,506,054	12,141,574	4,364,480	73.6	1,399,357	311.89
2017	17,850,764	13,504,290	4,346,474	75.7	1,562,584	278.16
2018	19,118,587	14,011,196	5,107,391	73.3	1,478,524	345.44

PEPRA Miscellaneous Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$34,451	$33,187	$1,264	96.3%	$233,018	0.54%
2016	83,679	75,884	7,795	90.7	309,096	2.52
2017	162,209	155,277	6,932	95.7	438,152	1.58
2018	266,039	246,793	19,246	92.8	534,274	3.60

Classic Safety Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$36,891,116	$28,263,430	$8,627,686	76.6%	$2,046,383	421.61%
2016	38,454,832	27,292,457	11,162,375	71.0	2,010,099	555.31
2017	41,333,503	29,968,235	11,365,268	72.5	1,342,110	846.82
2018	43,955,355	30,918,059	13,037,296	70.3	1,648,799	790.71

PEPRA Safety Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$71,655	$66,027	$5,628	92.1%	$443,135	1.27%
2016	134,082	116,603	17,479	87.0	436,385	4.01
2017	230,501	210,826	19,675	91.5	788,055	2.50
2018	528,785	479,753	49,032	90.7	866,882	5.66

(1) Based on the market value of assets.
Source: CalPERS Annual Valuation Actuarial Report as of June 30, 2018 for each Pension Plan.

As of June 30, 2019, the Classic Miscellaneous Plan's share of unfunded accrued liability had declined to $4,466,539 and the Classic Safety Plan's share of unfunded accrued liability had declined to $11,730,572.

The most recent actuarial reports for the Pension Plans that are available from CalPERS are for the valuations as of June 30, 2018. As a result, such valuation reports and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the Plans. The Town expects that the impacts of the COVID-19 outbreak will cause its unfunded accrued pension liability to increase in the future as result.

Recent Actions Taken by CalPERS. On November 18, 2015, the CalPERS' Board of Administration (the "**Board of Administration**") adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the Town, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the Town with respect to the Pension Plans, are anticipated to increase beginning in fiscal year 2020-21.

Projected Annual Contributions. The following tables show the Town's actuarially-determined required employer contribution for Fiscal Year 2020-21 and projected employer contributions (before cost sharing) for Fiscal Years 2021-22 through 2025-26 for each of the Pension Plans by normal cost (expressed as a percentage of total active payroll) and amortization of the unfunded accrued liability (expressed as a dollar amount). Such projections assume a 7.00% annual rate of return for Fiscal Year 2018-19. *The following information was provided to*

the Town by CalPERS and has not been reviewed for accuracy or audited by the Auditor. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.

TABLE 13
TOWN OF ATHERTON
CalPERS Projected Annual Contributions
As of June 30, 2018
By Pension Plan

Classic Miscellaneous Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	11.199%	11.2%	11.2%	11.2%	11.2%	11.2%
UAL Payment	$338,645	$391,000	$435,000	$461,000	$489,000	$502,000

PEPRA Miscellaneous Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	7.874%	7.9%	7.9%	7.9%	7.9%	7.9%
UAL Payment	$6,600	$6,800	$7,000	$7,200	$7,400	$0

Classic Safety Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	25.540%	25.5%	25.5%	25.5%	25.5%	25.5%
UAL Payment	$879,200	$1,005,000	$1,100,000	$1,175,000	$1,241,000	$1,275,000

PEPRA Safety Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	13.884%	13.9%	13.9%	13.9%	13.9%	13.9%
UAL Payment	$10,518	$11,000	$11,000	$11,000	$12,000	$12,000

Source: CalPERS Actuarial Valuation Reports as of June 30, 2018 for each Pension Plan.

Expected COVID-19 Impacts on CalPERS Contributions. There has been tremendous volatility in the markets in the United States and globally associated with the COVID-19 outbreak, resulting in significant declines and speculation of a national and global recession. As previously described, the most recent actuarial reports for the Pension Plans that are available from CalPERS are for the valuations as of June 30, 2018. As a result, such valuation reports and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the Plans. The Town expects that the impacts of the COVID-19 outbreak will cause its required CalPERS contributions to increase in commencing in Fiscal Year 2022-23 beyond those projected in most recent actuarial valuation reports from CalPERS and which are described in Table 13 above. See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 7" for additional regarding the Town's retirement plans.

Post-Employment Healthcare Benefits

Plan Description. The Town provides certain medical benefits for employees and dependents who retire directly from the Town at 50 years or older and who are vested in CalPERS (the "**OPEB Plan**"). The OPEB Plan is a single-employer defined benefit plan, with the City Manager appointed as the plan administrator. Public Agency Retirement Services ("**PARS**") administers the trust (the "**PARS Trust**") for the OPEB Plan. As of June 30, 2019, the balance in the PARS Trust was $6,842,386.

Benefits Provided and Funding Policy. The Town participates in the CalPERS medical program. Retirees who qualify for a CalPERS pension are entitled to employer-paid CalPERS medical benefits. The Town does not pay for dental, vision, or other health and welfare benefits for retirees. Employees who retire from the Town, receive a CalPERS pension, and continue their CalPERS medical coverage are eligible to receive benefits, which continue throughout the life of the retiree and surviving spouse. Specific medical benefits provided by the OPEB Plan are dependent on employee category, date of hire, and date of retirement. The Town intends to contribute the full actuarially determined contribution to the PARs Trust each year. See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 8" for a description of a description of amounts paid by the Town on behalf of OPEB Plan members.

Changes in Reporting Requirements. In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("**GASB Statement No. 74**"). This statement replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended ("**GASB Statement No. 43**"), and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, GASB Statement No. 43, and GASB Statement No. 50, Pension Disclosures. The Town implemented GASB Statement No. 74 in fiscal year 2017-18.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("**GASB Statement No. 75**"). This statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended ("**GASB Statement No. 45**"), and Statement No. 57, for OPEB. GASB Statement No. 75 addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows/inflows of resources, and expenses/expenditures. The Town implemented GASB Statement No. 75 in fiscal year 2017-18. Because GASB Statements No. 74 and 75 have been implemented, the annual required contribution formerly required under GASB Statements No. 43 and 45 is no longer applicable to OPEB plans such as the OPEB Plan.

Contributions. For Fiscal Year 2017-18, the Town's contributions were $493,288 which were less than the actuarially determined contributions of $693,890. For Fiscal Year 2018-19 the Town's contributions were $747,885 which were greater than the actuarially determined contributions of $419,511.

TABLE 14
TOWN OF ATHERTON
Schedule of OPEB Contributions
Fiscal Years 2017-18 and 2018-19

	2017-18	2018-19
Actuarially Determined Contribution (ADC)	$693,890	$419,511
Contribution in relation to ADC	493,288	747,885
Contribution deficiency (excess)	$200,602	$(328,374)
Covered employee payroll	$4,497,946	$4,799,843
Contributions as percentage of covered-employee payroll	10.97%	15.58%

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

Changes in Net OPEB Liability. The change in the Town's net OPEB liability was measured as of June 30, 2019 (the most recent measurement date) as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018 Measurement Date	$10,269,746	$6,259,170	$4,010,576
Changes Recognized for the Measurement Period			
Service Cost	167,493	--	167,493
Interest on total OPEB Liability	610,002	--	610,002
Changes in Benefit Terms	--	--	--
Differences between Expected and Actual Experience	(11,091)	--	(11,091)
Changes of Assumptions	--	--	--
Contributions from the Employer	--	747,885	(747,885)
Net Investment Income	--	417,827	(417,827)
Benefit Payments	(549,101)	(549,101)	--
Administrative Expenses	--	(33,395)	33,395
Net Changes	217,303	583,216	(365,913)
Balance at June 30, 2019 Measurement Date	$10,487,049	$6,842,386	$3,644,663
Plan Fiduciary Net Position as % of Total OPEB Liability		65.2%	

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

To comply with Actuarial Standard Practice No. 6 ("**ASOP 6**"), the actuarial valuation includes an implicit subsidy liability. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but only pay the same premiums as active employees. As a result of the required ASOP 6, the Town's actuarial accrued liability at June 30, 2019 included an implicit subsidy liability of $2,091,964.

The following presents the net OPEB liability of the Town if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Discount Rate – 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
Net OPEB Liability	$2,506,891	$3,644,663	$2,496,494

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples

include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual requires contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 8" for a description of the actuarial methods and assumptions used to measure the Town's net OPEB asset as of June 30, 2019.

OPEB Funded Status. The status of the OPEB Plan as of the June 30, 2018 and June 30, 2019 measurement dates are as follows:

TABLE 15
TOWN OF ATHERTON
OPEB Funded Status

	June 30, 2018	June 30, 2019
Total OPEB Liability – Beginning	$12,532,328	$10,269,746
Total OPEB Liability – Ending (a)	10,269,746	10,487,049
Plan Fiduciary Net Position – Beginning	$5,855,635	$6,259,170
Plan Fiduciary Net Position – Ending (b)	6,259,170	6,842,386
Net OPEB Liability (a) – (b)	$4,010,576	$3,644,663
Plan Fiduciary Net Position as a percentage of the total OPEB liability	60.9%	65.2%
Covered employee payroll	$4,497,946	$4,799,843
Net OPEB Liability as a percentage of covered-employee payroll	89.16%	75.93%

Source: Town of Atherton.

The most recent actuarial report for the OPEB Plan is for the valuation as of June 30, 2018. As a result, such valuation report and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the OPEB Plan.

See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 8" for additional information regarding the Town's OPEB costs as of June 30, 2019.

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 Town to levy taxes and spend tax proceeds for operating and other purposes. The discussion of the Constitutional and statutory provisions and judicial decisions interpreting these provisions below is not intended to be an exhaustive analysis of these provisions.

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA 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 XIIIA approved by State voters on June 3, 1986) 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 XIIIA 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 XIIIA 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 XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 XIIIA, all taxable property is now shown at "full cash value" on the County's property tax rolls.

Split Roll Initiative. An initiative measure (the "**Split Roll Initiative**") to amend Article XIIIA has qualified for the State's November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor's office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than $2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to $500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. While the impact of the Split Roll Initiative on the Town, if adopted, may be lessened due to the primarily residential nature of the Town, the Town is unable to predict how the Split Roll Initiative would affect the relationship of the assessed value between land use types (i.e. residential versus commercial) in the Town.

Appropriation Limitation – Article XIIIB

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

Under Article XIIIB, 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 XIIIB 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 Town's appropriations limit for fiscal year 2019-20 is $13,822,878, and the Town does not anticipate exceeding this limit.

Proposition 218 – Article XIIIC and Article XIIID

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 XIIIC and XIIID to the State Constitution and contains a number of interrelated provisions affecting the ability of the Town 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 XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA 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 XIIIC 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 XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the Town ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the Town's General Fund, require a two-thirds vote. The voter approval requirements of Article XIIIC reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees and Charges. Article XIIID 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 XIIID, 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 XIIIC 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 Town 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 Town's General Fund. See "THE TOWN AND TOWN FINANCIAL INFORMATION." If such repeal or reduction occurs, the Town's ability to pay debt service with respect to the Certificates could be adversely affected.

Burden of Proof. Article XIIIC 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 XIIID 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 XIIID.

Impact on Town's General Fund. The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town 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 Town 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 XIIIC and XIIID 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. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62.

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources.

Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding.

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.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC, and XIIID, 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 Town or its revenues or the ability of the Town to expend revenues.

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the Certificates. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Certificates and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the Certificates are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Certificates. There can be no assurance that other considerations will not materialize in the future.

Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic

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 World Health Organization (the "WHO") announced the official name for the outbreak of COVID-19, an upper respiratory tract illness first identified in Wuhan, China. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world. 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 Town's operations and financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the current COVID-19 pandemic. The Town cannot predict any costs associated with the potential treatment of an infectious disease outbreak or preparation for such treatment.

On March 4, 2020, the Governor of California (the "**Governor**") proclaimed a state of emergency in California as a result of the threat of COVID-19. Under the California Emergency Services Act, during a state of emergency, the Governor has authority over all agencies of the state government and can exercise the State's police powers. His powers also include the power to promulgate, issue, and enforce orders and regulations as he deems necessary.

Since declaring the emergency, the Governor has issued a number of executive orders relating to COVID19 preparedness and mitigation. These include his March 19, 2020 Executive Order N-33-20, which orders all individuals living in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of certain critical infrastructure sectors, as described in that order and later designations. The County issued an order limiting large scale events and mass gatherings within the County ("**County Order**") effective for its residents on March 16, 2020. Since that time, County personnel have spearheaded a strategic response to battling community spread of the COVID-19, taking action which substantially aligns, among other matters, with the Governor's order. These actions are focused on "social distancing," or limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and impacts enterprise operations and the economy. The County Order has since been extended and modified, most recently by an order dated April 29, 2020 that relaxed conditions on certain essential businesses and allowed certain outdoor businesses to resume operating provided that social distancing measures continue to be observed. The County Order is in effect through May 31, 2020, but may be modified or extended by the County at any time.

The Governor issued Executive Orders N-29-20 and N-35-20 relaxing state and local agency open meeting laws to accommodate social distancing. The Town expects to hold meetings of its City Council substantially unhindered by the COVID-19 outbreak. As permitted under Executive Order N-33-20, certain of the Town's employees may continue to come to work under designated exceptions for critical sectors. Additionally, some of the Town's employees are teleworking. The Town does not expect its business operations to be materially curtailed by employee absences prompted by the stay-home order. However, the Town offers no assurances that City Council member or employee absences due to COVID-19 illnesses will not materially and adversely impact its operations. While many services the Town provides have been reduced, essential services have continued to operate without interruption.

The Town can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on property tax revenues, which in turn could materially impact the Town's ability to make the Lease Payments when due.

Potential impacts to the Town associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy with corresponding decreases in assessed values and delays in payment or collection of property tax. In particular, the County extended the April 10, 2020 deadline to May 4, 2020, without penalty. Furthermore, on May 6, 2020, the Governor issued Executive Order N-61-20, which suspended the imposition of penalties, costs, and interest on overdue property taxes where the taxes owed were not delinquent prior to the March 4, 2020 declaration of a state of emergency and the taxpayer demonstrates to the tax collector that the taxpayer has suffered economic hardship due to the COVID-19 pandemic.

The Town currently anticipates that aggregate General Fund revenues for Fiscal Year 2019-20 may be approximately 5% lower than the mid-year estimate budget amount of approximately $18.2 million. The Town may also incur additional costs to address the impact of COVID-19. In addition, CalPERS has reportedly lost significant value in its investments as a result of declines in the stock market, which could result in a significant increase in the Town's unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23.

The financial and operating data contained in this Official Statement are the latest available, but are as of dates and for periods prior to the economic impact of the COVID-19 outbreak and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the Town. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. While the overall potential impact of the COVID-19 outbreak on the Town is unknown and cannot be fully quantified at this time, the continued outbreak of COVID-19 could lead to additional or modified public health restrictions and have an adverse effect on the Town's operations and financial condition, and the effect could be material. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current disruption to the national and global economies, will increase at least over the near term, recovery may be prolonged and, therefore, may have an adverse impact on the Town's finances. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the Town's operations and finances.

As of the date of this Official Statement, the Town does not believe that the impacts of the spread of COVID-19 will have a material adverse effect on its ability to make the Lease Payments

when due. However, the Town can provide no assurances that the impacts associated with the COVID-19 outbreak will not have a material adverse effect on its ability to make the Lease Payments when due.

No Pledge of Taxes

General. The obligation of the Town to pay the Lease Payments and Additional Payments does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. The obligation of the Town to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the Town could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, 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.

The Town believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the Town, including its General Fund, could be materially adversely affected.

Although the Town does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution, including any initiative by Town voters thereunder to repeal any of the taxes that provide revenue to the Town's General Fund, on the Town's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIIC and Article XIIID."

Additional Obligations of the Town

The Town is permitted to enter into other obligations that constitute additional charges against its revenues without the consent of Owners of the Certificates. To the extent that additional obligations are incurred by the Town, the funds available to pay Lease Payments may be decreased. The Town does not currently have any other long-term debt obligations payable from its General Fund.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Property) are payable from funds lawfully available to the Town. If the amounts that the Town is obligated to pay in a fiscal year exceed the Town's revenues for such year, the Town may choose to make some payments rather than making other payments, including Lease Payments and Additional Payments, based on the perceived needs of the Town. The same result could occur if, because of California Constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

In addition, the Town may amend the Lease Agreement, without the consent of the Trustee or any of the Certificate Owners, to obligate the Town to pay additional amounts of rental thereunder for the use and occupancy of the Leased Property or any portion thereof, subject to certain conditions precedent described in the Lease Agreement. If the Town obligated itself to pay additional rental payments, such amounts would be payable from the funds lawfully available to the Town, just like the Lease Payments payable to Certificate Owners.

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a governmental entity threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. In such event, the Town is required to apply the Net Proceeds of any eminent domain award to the prepayment of Certificates. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof are taken temporarily, under the power of eminent domain, (i) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (ii) there will be a partial abatement of Lease Payments in an amount to be determined by the Town, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. Notwithstanding the foregoing, the Lease Payments will not be abated under the Lease Agreement to the extent that amounts in the Lease Payment Fund (if any) are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, as such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Abatement

The Lease Agreement provides that the amount of Lease Payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the Town of the Leased Property. The amount of such abatement will be determined by the Town, 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 will 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, the Lease Agreement will continue in full force and effect and the Town, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

There will be no abatement of Lease Payments to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, it being declared in the Lease Agreement that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Although the Town is required under the Lease Agreement to maintain property and liability insurance and rental interruption insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. The Lease Agreement does not require the Town to maintain earthquake insurance on the Leased Property and the Town currently does not maintain earthquake insurance on the Leased Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance.” See also

"THE TOWN AND TOWN FINANCIAL INFORMATION – Insurance Program." In addition, there is no assurance that the Town will receive proceeds of any insurance in time to make Lease Payments when due.

The Town has not funded and will not fund a debt service reserve fund for the Certificates in connection with the execution and delivery of the Certificates.

Limited Recourse on Default; No Acceleration

Whenever any event of default referred to in the Lease Agreement occurs and continues, the Trustee, as the Corporation's assignee, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement. See APPENDIX C for a detailed description of available remedies in the case of a default under the Lease Agreement.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay principal and interest represented by the Certificates. The Lease Agreement permits the Trustee, as the Corporation's assignee, to take possession of and re-let the Leased Property in the event of a default by the Town under the Lease Agreement; however, due to the fact that certain of the Leased Property serves essential governmental purposes, a court may determine to not permit such remedy to be exercised. Even if such remedy may be exercised, no assurance can be given that the Trustee could readily re-let the Leased Property for rents which are sufficient to enable it to pay debt service on the Certificates in full when due.

The Town will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Substitution and Release of Property

The Corporation and the Town may, under the terms of the Lease Agreement, substitute alternate real property for any portion of the Leased Property or release a portion of the Leased Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Leased Property for which the substitution or release has been effected shall be released from the leasehold encumbrance of the Site Lease and the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution of Leased Property" and "– Release of Leased Property."

In addition, the Lease Agreement provides that upon final completion of the Project, the Town shall have the absolute right, and the Town expects, to release from the Lease Agreement, the Site Lease and the Assignment Agreement, the portion of the original Leased Property consisting of Holbrook-Palmer Park without meeting the conditions described in "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – General Release of Leased Property", upon satisfaction certain conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Release of Holbrook-Palmer Park from Leased Property".

Ability to Re-Let

If the Town defaults on its obligations to make Lease Payments, the Trustee may have limited ability to re-let the Leased Property to provide a source of payments sufficient to meet the principal and interest represented by the Certificates and preserve the tax-exempt nature of the interest component of the Lease Payments. The re-letting of the Leased Property is subject to market conditions and applicable Town zoning requirements. In addition, the portion of the Leased Property constituting the Holbrook-Palmer Park is subject to certain restrictions that require that it be used for public recreational purposes and prohibit its use for commercial or housing purposes except where strictly incidental to its use as a public recreation park, such as public use for social gatherings, meetings, weddings, and day-use activities. See "THE LEASED PROPERTY."

Property Taxes

The Town is heavily reliant on property taxes which comprised approximately 70% and 66% of the Town's total General Fund revenues in Fiscal Years 2017-18 and 2018-19, respectively. While property tax revenues have grown in recent years, there is no certainty that growth in the property tax roll will continue at the same rate in the future.

Levy and Collection. The Town does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease, or any substantial delinquencies in the payment of property taxes, could reduce the Town's property tax revenues, and accordingly, could have an adverse impact on the ability of the Town to make Lease Payments when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation in certain years and was negative in one year.

The Town is unable to predict if any adjustments to the full cash value base of real property within the Town, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> *Proposition 8 Appeals*. Most of the appeals that might be filed in the Town would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the Town's property tax revenues.

Natural Calamities

From time to time, the Town is subject to natural calamities that may adversely affect economic activity in the Town, which could have a negative impact on the Town's finances. Additionally, a natural calamity adversely affecting the Leased Property could have a negative impact of the Town's use of such property, which could result in abatement of Lease Payments. See "– Abatement" above.

Seismic. The San Andreas and Hayward faults, among others, are in the vicinity of the Town. The Town cannot predict how much damage may occur within the Town to the Leased Property, specifically, and how much reduction in assessed valuation in the Town may result from an earthquake. Under the Lease Agreement, the Town is not required to obtain earthquake insurance on the Leased Property and does not currently maintain such insurance. There is no guarantee, if the Town chooses to obtain earthquake insurance, that the Town will maintain such insurance on the Leased Property or any other property owned by the Town in the future.

Liquefaction. Loose sand and silt that is saturated with water can behave like a liquid when shaken by an earthquake. This phenomenon is called liquefaction. During an earthquake the soil can lose its ability to support structures, flow down even very gentle slopes, and erupt to the ground surface to form sand boils. Many of these phenomena are accompanied by settlement of the ground surface, usually in uneven patterns that damage buildings, roads and pipelines. A map, produced by Association of Bay Area Governments identifies liquefaction susceptibility hazards in Atherton. In general, the area of Town northeast of a line formed by Euclid Avenue/Monte Vista Avenue/Camino por los Arboles, which includes the Leased Property, is characterized as having a "moderate susceptibility". The narrow band of land adjacent to the

Atherton Channel is characterized has having a “very high susceptibility”. The balance of the Town is characterized as having a “very low to low susceptibility”.

Tsunami. A tsunami is a series of waves generated in a body of water by a rapid disturbance that vertically displaces the water. These changes can be caused by an underwater fault rupture that generates an earthquake, a volcanic eruption, or underwater landslides typically triggered by earthquakes. The California Emergency Management Agency has prepared a series of maps plotting the potential inundation line for a tsunami runup along the San Francisco Bay shoreline. The inundation line represents the maximum considered tsunami runup from a number of extreme, yet realistic, tsunami sources. In the vicinity of the Town, the potential inundation line follows the southwesterly shoreline of the Westpoint Slough and the Ravenswood Slough located in the salt evaporators within the margins of San Francisco Bay. A runup of approximately 4 feet at Ravenswood Point (East Palo Alto) could occur, as estimated by the US Geological Survey. The inundation line runs approximately ½ to 1-mile northeast of the dike protecting the east Menlo Park and Redwood City industrial area. As the inundation line is located approximately 1 to 1 ½ miles northeast of the Atherton City Limit along Bay Road, there appears to be little chance that a tsunami would affect land within the Town. Further since the inundation line is located approximately ½ to 1-mile northeast of US 101 there appears to be little chance that a tsunami would affect that major evacuation route.

Flood. The Town is located in the Federal Emergency Management Agency’s Zone X - Area of Minimal Flood Hazard. The Leased Property is not located within the 100-year flood zone, as determined by the Federal Emergency Management Agency. The Town does not participate in the National Flood Insurance Program.

Dam Failure. The Bear Gulch Reservoir Dam is the only dam in Atherton and is large enough to endanger lives and property in the event of a failure. A seismic event could cause the dam to fail and endanger an estimated population of approximately 1,000 people, according to the Atherton Emergency Operations Plan. The flood plain that would result from catastrophic failure of this dam has been mapped by California Water Service Company (“**Cal Water**”), the owner of the dam; the map is on file with the Office of Emergency Services.

The Atherton neighborhood most seriously threatened by dam failure and wildfire hazard is the Walsh Road neighborhood. This neighborhood has only one primary evacuation route; Walsh Road, which is a narrow, two lane residential street that intersects with Alameda de las Pulgas. Two other evacuation routes have been identified: (i) the main secondary automobile evacuation route is the road at the end of Reservoir Road through the Cal Water property adjacent to Bear Gulch Reservoir connecting to Moore Road. Cal Water must open the gate at the entrance of the road for this to be passable; and (ii) there is a pedestrian only exit using the horse tunnel from Valley Court under highway 280. In the event of a fire or flood, a warning siren has been installed at the Cal Water facility on Reservoir Road. The siren can be activated by the Fire or Police Department to advise residents that an evacuation should take place. The Police Department is working on an upgrade to this warning system including use of upgraded technology.

Neither the Holbrook-Palmer Park nor the Town Center Project are within an inundation zone.

Fire Hazards. 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.

Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. 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 Town of Atherton. The entire Town of Atherton has been identified as a "Community At Risk" by CAL FIRE. The entire Town has also been included in the "Wildland-Urban Interface" ("**WUI**") by CAL FIRE; originally a zone of transition between unoccupied land and human development, WUI zones now include heavily vegetated, low-density suburban areas such as Atherton. These lands and communities are at risk of wildfires.

In the event taxable property within the Town 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 Town.

Recent Droughts. With respect to droughts specifically, the State has faced water shortfalls in recent years. On January 17, 2014, then Governor Brown declared a state of drought emergency, calling on Californians to conserve water, and subsequent conservation orders and regulations were imposed by then Governor Brown and the California State Water Resources Control Board (the "**Water Board**").

With unprecedented water conservation and plentiful rain and snowfall in the State throughout the end of 2016 and the beginning of 2017, Governor Brown issued Executive Order B-40-17 on April 7, 2017 (the "**2017 Executive Order**"), which lifted the January 17, 2014 drought declaration in all Counties except the Counties of Fresno, Kings, Tulare, and Tuolumne, where diminished groundwater supply issues remain. The 2017 Executive Order also directed the Water Board to rescind the water supply stress tests for urban water suppliers, as well any remaining mandatory conservation standards. These rescissions notwithstanding, the 2017 Executive Order instructed the Water Board to maintain urban water use reporting requirements and prohibitions on wasteful water-use practices in order to preserve and promote Statewide water conservation efforts.

Notwithstanding the improved water conditions, the Town cannot predict or make any representations regarding the effects that the recent drought and related conditions had or may have on the value of taxable property within the Town, or to what extent the effects the recent drought may have had on economic activity in the Town.

Sea Level Rise. San Mateo County, including the Town, is vulnerable to the impacts of climate change, particularly to sea-level rise. In 2018, the County released a report, entitled "County of San Mateo Sea Level Rise Vulnerability Assessment," which states that more than

30,000 residential and 3,000 commercial parcels in the County with an assessed aggregate value of $39 billion may be vulnerable to the impacts of sea-level rise in the long-term. The State of California Sea-Level Rise Guidance 2018 Update report is the State of California's most recent document on sea-level rise. For the San Francisco Bay area, the likely range of sea-level rise (with a 66% chance probability) by the year 2100 is between 2.4 and 3.4 feet (depending on emissions rates over that time period). The Town cannot predict the impact that damage resulting from sea-level rise or related coastal erosion and flooding could have on the assessed value of property in the Town or the ability of the Town to make the Lease Payments.

Cyber Security

The Town, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the Town is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the Town's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the Town, or the administration of the Certificates. The Town is also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the County tax collector for the levy and collection of tax revenues and the Trustee. No assurance can be given that the Town and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate Owners.

Limitations on Remedies Available to Certificate Owners

The ability of the Town to comply with its covenants under the Lease Agreement may be adversely affected by actions and events outside of the control of the Town, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Lease Agreement or the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. For a discussion of such remedies, see "– Default" above and APPENDIX C – "Summary of Certain Provisions of Principal Legal Documents."

In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and obligations under the Certificates, the Lease Agreement and the Trust Agreement, may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings as described below, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion

and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Bankruptcy

In addition to the limitations on remedies contained in the Trust Agreement and the Lease Agreement, the rights and remedies in the Lease Agreement may be limited 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 Bankruptcy Code (Title 11, United States Code) (the "**Bankruptcy Code**"), which governs bankruptcy proceedings of public entities such as the Town, no involuntary bankruptcy petition may be filed against a public entity; however, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the Town. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the Town could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement; however, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Trust Agreement. In the event of rejection of a lease by a debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Trust Agreement, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Lease Payments, for the benefit of the Owners of the Certificates, but such security interest arises only when the Lease Payments are actually received by the Trustee following payment by the Town. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the Town and the subsequent rejection of the Lease Agreement by the Town, the Trustee would recover possession of the Leased Property and have a claim for damages against the Town. The Trustee's claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

In a bankruptcy of the Town, if a material unpaid liability is owed to California Public Employees' Retirement System or any other pension system (collectively, the "**Pension Systems**") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the Town's ability to make Lease Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city or county law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a Town bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a Town bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently (or were recently) the subject of litigation in the Chapter 9 cases of several California municipalities, including the cities of Stockton and San Bernardino.

In particular, if the Town were to become a debtor under the Bankruptcy Code, the Town would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Town or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Town, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "**Adjustment Plan**") for the adjustment of the Town's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The Town can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

Hazardous Substances

Discovery of hazardous substances on the land that comprises the Leased Property or on other parcels within the Town could impact the Town's ability to pay debt service with respect to the Certificates.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "**CERCLA**" or the "**Superfund Act**" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance.

The effect, therefore, should any substantial amount of property within the Town be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Reduction in the value of property in the Town as a whole could reduce property tax revenues received by the Town and deposited in the general fund, which could significantly and adversely affect the ability of the Town to make payments on the Certificates. Additionally, if any of the Leased Property is affected by a hazardous substance, the Town would be limited in the beneficial use it could make of such property upon discovery and during remediation thereof.

Litigation

The Town may be or become a party to litigation that has an impact on the Town's general fund. Although the Town maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the Town cannot predict what types of liabilities may arise in the future. See also "LITIGATION."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the Town to make debt service payments on the Certificates may be affected if the Town should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The Town does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Appropriation Limitation – Article XIIIB."

Early Prepayment Risk

Early payment of the Lease Payments and early prepayment of the Certificates may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the County exercises it right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement. See "THE CERTIFICATES – Prepayment – Prepayment From Net Proceeds of Insurance or Condemnation."

Impact of State Budget on Town Revenues

At various times, including recently, 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 Town 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 Town, the Town 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.

Although starting with Fiscal Year 2013-14, recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012, statewide election ("**Proposition 30**"), as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

The temporary personal income tax increases of Proposition 30 were scheduled to expire at the end of 2018; however, voters approved Proposition 55 in the November 2016 statewide election, which extended the increases through 2030.

The Town 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 Town has no control. To the extent that the State budget process results in reduced revenues to the Town, the Town will be required to make adjustments to its budget. Decreases in such revenues may have an adverse impact on the Town's ability to pay the Certificates.

Information about the fiscal year 2019-20 adopted State budget and other State budgets is regularly available at various State-maintained websites. 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 Town or the Underwriter, and the Town and Underwriter take 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.*

Investment of Funds

All the funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See Appendix C attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the Town could have a material adverse effect on the security for the Certificates, and/or the financial condition of the Town. See "THE TOWN AND TOWN FINANCIAL INFORMATION – Investment Policies and Procedures" and the audited financial statements of the Town for the year ended June 30, 2019 attached hereto as APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019" for information concerning the Town's investment policy and portfolio of investments as of June 30, 2019.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" below, interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued as a result of future acts or omissions of the Town in violation of its covenants in the Lease Agreement and the Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to a special redemption and will remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

Federal Income Tax Changes

During recent years, legislative proposals have been introduced in the United States Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Certificates. In some cases, these

proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Certificates. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Certificates and their market value.

No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Certificates. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of the portion of lease payments designated as and comprising interest and received by the owners of obligations that are similar to the Certificates. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Certificates.

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for 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, 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 Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

The Internal Revenue Service has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the Internal Revenue Service and that the market value of the Certificates might be affected as a result of such an audit (or by an audit of similar securities).

No Liability to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease Payments by the Town, or with respect to the performance by the Town 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.

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 Installment 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 Lease Agreement is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable with respect to the Certificates.

The opinions set forth in the preceding paragraph are subject to the condition that the Town comply with all requirements of 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, and in order for the Lease Agreement to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Tax Code. The Town 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, or may cause the Lease Agreement to not be a "qualified tax-exempt obligation" within the meaning of Section 265(b0(3) of the Tax Code.

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.

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

Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, will render an opinion substantially in the form of Appendix D hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the Town. Certain matters will also be passed upon for the Town by Kronick Moskovitz Tiedemann & Girard, Sacramento, California, as City Attorney. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. *Payment of the fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's counsel is contingent upon execution and delivery of the Certificates*.

CONTINUING DISCLOSURE

The Town has covenanted in its continuing disclosure certificate (the "**Continuing Disclosure Certificate**") for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and other operating data on an annual basis no later than the date that is nine months after the end of the Town's fiscal year (currently April 1 based on the Town's fiscal year end of June 30), commencing on April 1, 2021 (the "**Annual Report**"), and to provide notice of certain enumerated events as required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "**Rule**"). The Annual Report and the notices of enumerated events will be filed by the Town with the Municipal Securities Rulemaking Board through the Electronic Municipal Access System ("**EMMA**"). The form of the Continuing Disclosure Certificate and the specific nature of the information to be contained in the annual report or the notices of enumerated events is set forth under the caption APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with the Rule.

In last five years, the Town has not been subject to any disclosure undertakings under the Rule in connection with the issuance of long-term obligations.

The Town has adopted continuing disclosure policies and procedures to ensure that it will comply with its continuing disclosure undertakings in the future. In addition, the Town has retained Urban Futures, Inc. to serve as dissemination agent of the Town under the Continuing Disclosure Certificate.

Any failure by the Town to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Trust Indenture (although Certificate Owners will have any remedy available at law or in equity as provided in the Continuing Disclosure Certificate). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates.

LITIGATION

There is no litigation pending or, to the Town's knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement or the Trust Agreement, to contest the validity of the Certificates, the Lease Agreement or the Trust Agreement, or any proceeding of the Town with respect thereto. In the opinion of the Town and the City Attorney, there are no lawsuits or claims pending or threatened in writing against the Town which will materially affect the Town's finances so as to impair its ability to pay Lease Payments when due.

UNDERWRITING

The Certificates are being purchased by Stifel, Nicolaus & Company, Inc. (the "**Underwriter**"), at a purchase price of $_____ (which represents the aggregate principal amount of the Certificates, plus an original issue premium of $_____ and less an underwriter's discount of $_____). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

RATING

S&P Global Ratings ("**S&P**") has assigned its municipal bond rating of "___" to the Certificates. Such rating expresses only the views of S&P and is not a recommendation to buy, sell or hold the Certificates. This rating reflects only the views of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it (which may include information and material from the Town which is not included in this Official Statement) and on investigations, studies and assumptions of its own.

There is no assurance that such rating will continue for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Corporation, the Town and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Certificates.

MUNICIPAL ADVISOR

The Town has retained Urban Futures, Inc., Daly City, California, as its Municipal Advisor (the "**Municipal Advisor**") in connection with the authorization and delivery of the Certificates. The payment of the Municipal Advisor's fees for services rendered with respect to the sale of the Certificates is contingent upon the authorization and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Certificates.

During the initial offering period for the Certificates, copies of the Lease Agreement, the Trust Agreement, the Assignment Agreement, and the Site Lease may be obtained, upon written request, from the Town. After delivery of the Certificates copies of such documents may be obtained from the Trustee.

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

TOWN OF ATHERTON

By: _____
Mayor

APPENDIX A

THE TOWN OF ATHERTON AND COUNTY OF SAN MATEO DEMOGRAPHIC INFORMATION

This appendix sets forth general information about the Town of Atherton (the "**Town**"). The following information concerning the Town, the County of San Mateo, and the State of California is included only for general background purposes. The Certificates are an obligation of the Town but are not an obligation of the State, the County or any other governmental agency. It is not intended to suggest that the Certificates are payable from any source other than Lease Payments.

Population

The following table presents population data for the Town and County for the previous 10 Fiscal Years.

POPULATION

Fiscal Year	Town of Atherton Population[(1)]	Percent Change in Population	San Mateo County Population[(1)]
2010	6,914	-.-%	718,451
2011	6,931	0.2	727,319
2012	6,954	0.3	736,760
2013	6,987	0.5	747,186
2014	6,971	(0.2)	753,472
2015	6,977	0.1	760,679
2016	6,990	0.2	766,649
2017	7,023	0.5	769,570
2018	7,042	0.3	772,372
2019	7,070	0.4	774,485

* In thousands.

** Town of Atherton personal income for years 2010-2019 and Town of Atherton per capita income for 2010-2010 are estimates based upon the percent of change in population as provided by the Department of Commerce, Bureau of Economic Analysis.

Source: (1) State of California, Department of Finance.
(2) Bureau of Economic Analysis/State of California Franchise Tax Board.
(3) State of California Employment Development Department.

Employment

The following table summarizes historical employment and unemployment in the County and the State.

COUNTY OF SAN MATEO
Annual Average Employment and Unemployment Rates
Last Ten Fiscal Years

	Average Annual Unemployment Rates	
Fiscal Year	San Mateo County Unemployment Rates	State of California Unemployment Rates
2010	8.4%	12.2%
2011	7.5	11.7
2012	6.4	10.4
2013	5.3	8.9
2014	4.2	7.5
2015	3.4	6.2
2016	3.0	5.5
2017	2.7	4.8
2018	2.2	4.2
2019	2.0	--

Source: State of California Employment Development Department.

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 for the Town, the County, the State and the United States for the period 2016 through 2020:

TOWN OF ATHERTON
Effective Buying Income
2016 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	Town of Atherton	$556,583	$174,661
	San Mateo County	30,989,833	77,717
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Town of Atherton	$597,279	$179,245
	San Mateo County	33,690,067	81,795
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Town of Atherton	$594,968	$189,566
	San Mateo County	35,362,153	87,101
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Town of Atherton	$654,041	$250,512
	San Mateo County	39,578,320	93,319
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Town of Atherton	$638,744	$246,791
	San Mateo County	40,511,605	96,614
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: *The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.*

Commercial Activity

Summaries of the historic taxable sales within the Town and the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar year 2019 are not yet available. Total taxable sales during the first three quarters of calendar year 2019 in the Town were reported to be $17,099,246, a 13.35% increase over the total taxable sales of $15,085,626 reported during the first three quarters of calendar year 2018.

TOWN OF ATHERTON
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	108	$N/A[1]	173	$28,510
2015 [2]	97	6,010	178	15,980
2016	90	8,349	162	21,300
2017	95	10,158	162	18,330
2018	93	10,071	165	18,893

(1) Sales omitted because their publication would result in the disclosure of confidential information.
(2) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Total taxable sales during the first three quarters of calendar year 2019 in the County were reported to be $13,090,885,599, a 3.28% increase over the total taxable sales of $12,674,820,710 reported during the first three quarters of calendar year 2018.

SAN MATEO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	12,673	$10,278,717	19,999	$15,298,434
2015 [1]	8,833	10,301,197	21,825	15,478,010
2016	12,966	10,394,055	21,899	15,658,573
2017	12,744	10,949,848	21,534	16,552,584
2018	12,802	11,674,214	22,554	17,547,097

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the Town and the County.

TOWN OF ATHERTON
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$100,764.5	$97,470.8	$74,704.3	$107,342.5	$95,236.9
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	26,588.2	12,395.1	23,233.5	15,369.3	26,538.1
Total Residential	127,352.7	109,865.9	97,937.80	122,711.8	$121,775.00
New Commercial	12,511.8	10,002.0	9,563.8	12,743.3	6,815.3
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,632.8	10,839.2	23,154.3	6,324.5	12,465.9
Com. Alterations/Additions	1,266.6	454.2	1,493.4	2,035.2	210.7
Total Nonresidential	20,411.2	21,295.4	34,211.5	21,103.0	19,491.9
New Dwelling Units					
Single Family	38	36	25	37	53
Multiple Family	0	0	0	0	0
TOTAL	38	36	25	37	53

Source: Construction Industry Research Board, Building Permit Summary.

SAN MATEO COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$289,903.2	$374,275.5	$367,334.0	$338,186.5	$330,908.0
New Multi-family	168,859.5	259,181.0	252,560.4	210,996.5	195,226.4
Res. Alterations/Additions	348,231.2	408,011.2	395,240.9	503,351.5	424,804.7
Total Residential	806,993.90	1,041,467.7	1,015,135.3	1,052,534.5	950,939.1
New Commercial	413,462.8	328,133.6	716,150.7	1,207,218.1	1,505,602.0
New Industrial	9,600.0	0.0	4,954.8	500.0	0.0
New Other	103,363.4	192,961.9	196,145.2	135,392.7	77,503.7
Com. Alterations/Additions	490,364.6	489,389.7	728,965.3	1,047,885.6	972,646.5
Total Nonresidential	1,016,790.8	1,010,485.2	1,646,216.0	2,390,996.4	2,555,752.2
New Dwelling Units					
Single Family	315	521	458	411	443
Multiple Family	1,302	1,386	1,319	1,169	1,046
TOTAL	1,617	1,907	1,777	1,580	1,489

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
Town of Atherton
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the TOWN OF ATHERTON (the "Town") in connection with the execution and delivery of the Certificates captioned above (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2020 (the "Trust Agreement"), by and among the Town, the Public Property Financing Corporation of California, a California nonprofit public benefit corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Town covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town 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 Indenture, 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 Town 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 Town's fiscal year (currently April 1 based on the Town's fiscal year end of June 30).

"*Dissemination Agent*" means the Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town 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 Town in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter 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 Town shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2021, with the report for the 2019-20 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 Town shall provide the Annual Report to the Dissemination Agent (if other than the Town). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Town) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Town to determine if the Town 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 Town 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 Town's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The Town 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 Town hereunder.

(b) If the Town does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Town, in a timely manner, shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each 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 Town, file a report with the Town 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 Town's Annual Report shall contain or incorporate by reference the following:

(a) The Town'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 Town'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 Official Statement, and

the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Certificates Outstanding as of the December 31 preceding the Annual Report Date; and

(ii) An update as of June 30 of the most recent fiscal year of the information contained in tables 2, 3 and 5 of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Town 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 Town 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 Town shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Town 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 Town or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Town or an obligated person, or the sale of all or substantially all of the assets of the Town 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the 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 obligated person, any of which reflect financial difficulties.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall, or shall cause the Dissemination Agent (if not the Town) 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 Indenture.

(c) The Town 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 Town 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 Town obtains knowledge of the occurrence of any of these Listed Events, the Town 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 Town 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 Town 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 Town, 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 Town.

(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 Rule 15c2-12.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Town'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 Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The Town 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 Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the Town.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Indenture for amendments to the Trust Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town 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 Town 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 Town 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 Town 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 Town 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 Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town 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 Town 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 Town hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Town, the Certificate holders or any other party. The obligations of the Town 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 Town 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 Town, 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.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2020

TOWN OF ATHERTON

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:
URBAN FUTURES, INC.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Atherton

Name of Issue: $_____ Town of Atherton 2020 Certificates of Participation (Town Center Project)

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the Town has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated _____, 2020. The Town anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

_____

By: _____
Its: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 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 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 Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (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 and www.dtc.org. *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. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

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. Prepayment 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 prepayment 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.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE ___, 2020

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE – BOOK-ENTRY ONLY

Rating:
S&P 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 Lease Agreement is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$_____*
Town of Atherton
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)

Dated: Date of Delivery **Due: June 1, as shown below**

The Town of Atherton 2020 Certificates of Participation (Town Center Project) (the "Certificates") evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the Town of Atherton (the "Town"), for the right to the use of certain real property and improvements initially consisting generally of the Holbrook-Palmer Park and the Atherton Town Center (the "Leased Property") pursuant to that certain Lease Agreement, dated as of June 1, 2020 (the "Lease Agreement"), by and between the Town, as lessee, and the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "Corporation"), as lessor. The Certificates are being executed and delivered to provide funds to (i) finance a portion of the cost to construct and acquire certain of the improvements and facilities that will constitute a portion of the Atherton Town Center as described herein, and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates. Interest represented by the Certificates is payable on each June 1 and December 1, commencing December 1, 2020.

The Town has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets, and to make the necessary annual appropriations for all such Lease Payments. In the Lease Agreement, the Town has pledged to make such Lease Payments from any source of legally available funds of the Town. *The Town's obligation to make Lease Payments is subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the Town of the Leased Property or any portion thereof.* See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Lease Payments" and "– Abatement."

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company ("DTC"), which will act as securities depository of the Certificates. Interest and principal represented by the Certificates are payable by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See "THE CERTIFICATES – General" and "– Book-Entry Only System."

The Certificates are subject to optional prepayment, and mandatory prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

The obligation of the Town to make the Lease Payments does not constitute a debt of the Town or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State of California is obligated to levy or pledge any form of taxation or for which the Town or the State of California has levied or pledged any form of taxation.

MATURITY SCHEDULE
See inside front cover

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also acting as Disclosure Counsel to the Town. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. In addition, certain legal matters will be passed upon for the Town by Kronick Moskovitz Tiedemann & Girard, Sacramento, California. It is anticipated that the Certificates, in book entry only form, will be available for delivery through the facilities of DTC on or about June __, 2020.

STIFEL

The date of this Official Statement is: _____, 2020.

* *Preliminary; subject to change.*

MATURITY SCHEDULE

**$_____*
TOWN OF ATHERTON
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)**

(Base CUSIP† _____)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					

* *Preliminary; subject to change.*

† Copyright 2020, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the Town nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

TOWN OF ATHERTON

CITY COUNCIL MEMBERS

Rick DeGolia, *Mayor*
Elizabeth Lewis, *Vice Mayor*
Bill Widmer, *Council Member*
Cary Wiest, *Council Member*
Michael Lempres, *Council Member*

TOWN STAFF

George Rodericks, *City Manager*
Anthony Suber, *Deputy City Manager and City Clerk*
Robert Barron III, *Finance Director*

SPECIAL COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Daly City, California

No dealer, broker, salesperson or other person has been authorized by the Town or the Corporation to give any information or to make any representations with respect to the Certificates other than those contained in this Official Statement and, if given or made, such other information or representations 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 any offer to buy nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement shall not be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information contained in this Official Statement has been furnished by the Town, the Corporation and other sources, which are believed to be reliable. Summaries and references to statutes and documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute or document. 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 Town, the Corporation or any other parties described herein since the date hereof.

When used in this Official Statement and in any continuing disclosure by the Town, in any press release and in any oral statement made with the approval of an authorized officer of the Town, 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Town since the date hereof.

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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH 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 DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Town maintains a website. However, the information presented there 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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[INSERT AREA MAP]

OFFICIAL STATEMENT

$_____[*]
Town of Atherton
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)

This Official Statement (which includes the cover page and Appendices hereto) (the "**Official Statement**") provides certain information concerning the execution, sale and delivery of the Town of Atherton 2020 Certificates of Participation (Town Center Project) (the "**Certificates**") of the Town of Atherton, a general law city organized under the laws of the State of California (the "**Town**").

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement.

Issuance of Certificates. The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2020 (the "**Trust Agreement**"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), the Town and the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "**Corporation**"). The Trustee and the Corporation have entered into an Assignment Agreement, dated as of June 1, 2020 (the "**Assignment Agreement**"), pursuant to which the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments scheduled to be paid by the Town due under the Lease Agreement.

The Certificates are being executed and delivered in integral multiples of $5,000. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the inside cover) from its date of delivery until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1, commencing December 1, 2020. The Certificates are subject to prepayment as described herein. See "THE CERTIFICATES – Prepayment."

Use of Proceeds. The net proceeds of the sale of the Certificates will be used to (i) finance a portion of the cost to construct an administration building and related facilities and improvements, including a new Town Hall and corporation yard, that will constitute a portion of the Atherton Town Center, as described herein (collectively, the "**Project**"), and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See "FINANCING PLAN."

[*] *Preliminary; subject to change.*

Ownership of Certificates. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in lease payments (the "**Lease Payments**") to be made by the Town for the right to the use of certain real property and improvements initially consisting of Holbrook-Palmer Park and the Atherton Town Center (the "**Leased Property**"). See "THE LEASED PROPERTY." The Leased Property is currently owned by the Town and will be leased by it to the Corporation under a Site Lease dated as of June 1, 2020 (the "**Site Lease**"). The Corporation will concurrently lease the Leased Property back to the Town pursuant to a Lease Agreement, dated as of June 1, 2020 (the "**Lease Agreement**"), between the Town, as lessee, and the Corporation, as lessor.

Lease Payments. The Town covenants under the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in the operating budget for each Fiscal Year and to make the necessary annual appropriations therefor, subject to abatement as described herein. The Town has covenanted in the Lease Agreement to make such Lease Payments in full from any source of legally available funds of the Town, subject to abatement of the Lease Payments under certain circumstances as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Lease Payments."

Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the Town's right to use and occupy the Leased Property or any portion thereof due to damage or destruction of the Leased Property, or the taking of the Leased Property in eminent domain proceedings. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of hazard insurance or rental interruption insurance are available with respect to the Certificates, Lease Payments (or a portion thereof) may be made during periods of abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement."

Town and County. The Town is located in the County of San Mateo (the "**County**"), approximately 30 miles south of the City and County of San Francisco. The estimated population of the Town as of January 1, 2019 was 7,070 and the Town occupies a land area of approximately 6 square miles. The Town was incorporated in 1923 under the general laws of the State of California (the "**State**"). See "THE TOWN AND TOWN FINANCIAL INFORMATION" for additional information regarding the Town and its finances.

Risks of Investment. Debt service on the Certificates is payable only from Lease Payments and other amounts payable by the Town to the Corporation under the Lease Agreement. For a discussion of some of the risks associated with the purchase of the Certificates, including the potential impact of the COVID-19 pandemic on the Town's operations, see "RISK FACTORS."

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

Miscellaneous. The summaries or references to the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute.

All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

FINANCING PLAN

General

The proceeds of the sale of the Certificates will be used to finance a portion of the cost to construct and acquire the Project, as described below, and pay certain costs of executing and delivering the Certificates.

The Project

The net proceeds of the sale of the Certificates will be used to finance a portion of the cost to construct an administration building and related facilities and improvements, including a new Town Hall and corporation yard, that will constitute a portion of the Atherton Town Center (referred to herein as the Project).

The administration building will house the Town's administrative offices, the Atherton Police Department, the Town's Building Department, and the Town's Public Works Department. The Town Hall will house the new City Council Chambers. When complete, the Project is anticipated to total approximately 34,000 square feet of office and shared public areas (including the City Council Chambers). The total cost of the Project is estimated at approximately $28.7 million. A portion of such cost will be financed with proceeds of the Certificates, with the remainder to be financed with funds on hand of the Town, including community donations.

The Project is part of the Town's Atherton Town Center. In addition to the administration building and related facilities and improvements, including a new Town Hall (which are described in this Official Statement as the Project), the Atherton Town Center is anticipated to include a new public library (the "**Town Library**") that is anticipated to connect to, and include, the historic Town Hall building.

The Town Library is a branch of the San Mateo County Libraries. The San Mateo County Libraries are operated by the San Mateo County Library Joint Powers Authority (the "**Library JPA**"). The Library JPA is comprised of the Town, the cities of Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Portola Valley, San Carlos, Woodside, and the unincorporated areas of the County. The Library JPA is a separate, independent entity with its own Governing Board, consisting of elected officials from each member entity. An Operations Committee composed of city and County representatives from each member entity also provides guidance.

The San Mateo County Libraries receive a portion of property taxes levied on taxable property in the County for operations. Under the Library JPA, jurisdictions retain a portion of the excess funds generated from the jurisdiction's property taxes as long as the basic library services are met. The Town accumulates revenues in excess of annual operating costs for the Town Library in the Town's Library Fund.

The Town anticipates that the cost to complete the new Town Library to total approximately $18.45 million. The Town anticipates financing such cost proceeds on deposit in the Town's Library Fund (of approximately $10,150,000 as of May 1, 2020) and moneys to be provided the Library JPA – not the Town's General Fund. The moneys to be provided by the Library JPA for the new Town Library will offset future property tax revenues in excess of annual operating costs for the Town Library that would otherwise be allocated to the Town's Library Fund.

Completion Date of Atherton Town Center. Construction of the Atherton Town Center, including the Project, commenced in April 2019. Assuming the project progresses as anticipated, the Atherton Town Center, including the Project, is anticipated to be complete in October 2021.

Estimated Sources and Uses of Funds

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

Sources of Funds	
Par Amount of Certificates	$
Plus/Less: [Net] Original Issue Premium/Discount	
Total Sources	$
Uses of Funds	
Project Fund	$
Costs of Issuance[(1)]	
Underwriter's Discount	
Total Uses	$

[(1)] Includes legal, municipal advisory services, rating agency, printing costs, title insurance premium and other miscellaneous costs of issuance.

THE LEASED PROPERTY

General

At the time of the delivery of the Certificates, the Leased Property will consist of the Holbrook-Palmer Park and Atherton Town Center, including all land and improvements thereon. Upon completion of construction of the Atherton Town Center, it is expected that Holbrook-Palmer Park will be released from the Lease Agreement, the Site Lease, and the Assignment Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Release of Holbrook-Palmer Park from Leased Property."

Holbrook-Palmer Park. Holbrook-Palmer Park is owned by the Town. It consists of approximately 22 acres and contains both indoor and outdoor recreation facilities, including a ball field, tennis courts, a playground, gardens, and walking paths. The park also includes structures available for rent, including an historic house of approximately 600 square feet, a pavilion of approximately 2,360 square feet, and a carriage house of approximately 1,160 square feet. The park is located between Middlefield Road and El Camino Road, at Watkins Avenue. The Town's administrative offices, including City Council chambers, are being housed in temporary facilities located at Holbrook-Palmer Park pending completion of the Project. The Holbrook-Palmer Park is subject to certain restrictions that require that it be used for public recreational purposes only. The Town estimates that the value of Holbrook-Palmer Park, including the structures located thereon, exceeds the initial principal amount of the Certificates.

Atherton Town Center. The Atherton Town Center, when complete will consist of the Project and the Town Library. Collectively, the Atherton Town Center is anticipated to consist of approximately 34,000 square feet of usable space and cost an estimated $47.1 million to complete. Construction of the Atherton Town Center commenced in April 2019. The Atherton Town Center, including the Project, is anticipated to be completed in October 2021.

Release and Substitution of Leased Property

The Leased Property is subject to change in whole or in part from time to time under the circumstances permitted in the Lease Agreement. In addition, the Lease Agreement provides, upon final completion of the Project, the Town has the absolute right to release from the Lease Agreement, the Site Lease, and the Assignment Agreement, the portion of the original Leased Property consisting of Holbrook-Palmer Park, subject to satisfaction of certain conditions. Upon completion of construction of the Atherton Town Center, it is expected that Holbrook-Palmer Park will so be released. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution of Leased Property," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – General Release of Leased Property," and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Release of Holbrook-Palmer Park from Leased Property."

THE CERTIFICATES

General

The Certificates evidence and represent the direct, undivided fractional interest of the Owners thereof in the principal and interest components of Lease Payments to be made by the Town pursuant to the Lease Agreement.

The Certificates will be executed and delivered in integral multiples of $5,000. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from its date of execution until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1 (each, an "**Interest Payment Date**"), commencing December 1, 2020.

Interest evidenced by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Certificates (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Prepayment[*]

Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole, or in part on any date among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Optional Prepayment. The Certificates maturing on or before June 1, 2025, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after June 1, 2026, are subject to prepayment prior to their respective stated maturities, at the option of the Town, in whole, or in part among maturities on such basis as designated by the Town and by lot within any one maturity, on June 1, 2025, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. 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 Town and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

Notice of Prepayment. When prepayment is authorized or required under the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall state the prepayment date and prepayment price; state the numbers or maturities of the Certificates to be prepaid, if less than all of the Outstanding Certificates are to be called for prepayment; if a Certificate is to be prepaid only in part, identify the portions of the Certificate which is to be prepaid; require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price; state that interest represented by the Certificates will not accrue after the prepayment date; state that on the prepayment date the principal and premium, if any, represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable; and in the case of

[*] *Preliminary; subject to change.*

any optional prepayment of Certificates, state that the Town has the right to rescind the notice as described below.

The Trustee shall mail notice of prepayment by first class mail with postage prepaid, to the Securities Depositories, to the Municipal Securities Rulemaking Board and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least 20 days but not more than 60 days prior to the prepayment date. Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

Right to Rescind Notice of Prepayment. The Town has the right to rescind any notice of the optional prepayment of Certificates by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of optional prepayment shall 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 shall not constitute an Event of Default. The Town and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall 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 Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby and 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 represented thereby to said date of prepayment and premium (if any), shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement shall be canceled upon surrender thereof.

LEASE PAYMENT SCHEDULE

Following is the annual schedule of Lease Payments due with respect to the Certificates. Lease Payments are due five Business Days prior to each Interest Payment Date.

Period Ending (June 1)	***Principal Component***	***Interest Component***	***Annual Total***
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
Total			

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from its date of delivery to its payment date or prepayment date, as the case may be.

The Corporation, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the Town. The Town will pay Lease Payments directly to the Trustee, as assignee of the Corporation. See "– Lease Payments" below.

Covenant to Appropriate Funds for Lease Payments

The Town has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments in each of its annual budgets and to make the necessary annual appropriations (including any supplemental appropriations) from any source of legally available funds of the Town for all the actual amount of such Lease Payments and Additional Payments (as defined in the Lease Agreement). Lease Payments are expected to be derived from revenues of the Town's General Fund. See "THE TOWN AND TOWN FINANCIAL INFORMATION."

Abatement

Lease Payments are to be paid by the Town in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain which is addressed as a separate abatement event) there is substantial interference with the use and occupancy by the Town of the Leased Property or any portion thereof. See "RISK FACTORS – Eminent Domain." The amount of such abatement will be determined by the Town, 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, the Lease Agreement shall continue in full force and effect and the Town waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

To the extent proceeds of an eminent domain or insurance award, including self-insurance, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement.

Action on Default

Should the Town default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may exercise any and all remedies available pursuant

to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is 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. The Corporation and the Trustee (as assignee of the Corporation) have the right to re-enter or re-let the Leased Property and the right to terminate the Lease Agreement. See "RISK FACTORS – Limited Recourse on Default; No Acceleration."

No Reserve Fund

The Town has not funded and will not fund a debt service reserve fund for the Certificates in connection with the execution and delivery of the Certificates.

Lease Payments

For the right to use and occupy the Leased Property, the Lease Agreement requires the Town to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

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

Additional Payments

The Town is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, Additional Payments, which consist of the following: (i) all Costs of Issuance, to the extent not paid from amounts on deposit in the Costs of Issuance Fund, (ii) annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and (iii) all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

Insurance

General. The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; natural disasters; errors and omissions; injury to employees; and unemployment claims.

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the Town records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2019, in the opinion of the Town Attorney, the Town had no material claims, which require loss provisions in the financial statements. Small claims and judgments are recorded as expenditures when paid.

The Town is a member of Pooled Liability Assurance Network ("**PLAN**"), which provides general liability coverage of $5 million above the Town's deductible of $25,000 per occurrence, risk property insurance of $100,000 above the Town's deductible of $5,000 for property damage and $5,000 for auto/vehicle damage. PLAN is governed by a board consisting of representatives from member municipalities. The board controls the operations of PLAN, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

Alliant Insurance Services covers employment theft up to $1 million for each claim and in the aggregate and the Town's deductible is $5,000 per claim.

The Cities Group covers workers' compensation claims up to $1 million each for miscellaneous employees, up to $1.5 million each for safety officers, and has coverage above that limit to a maximum of $10 million. The Town has no deductible for the claims.

Public Liability and Property Damage Insurance. The Town is obligated under the Lease Agreement to maintain or cause to be maintained, throughout the term of the Lease Agreement, comprehensive general liability insurance in protection of the Corporation, the Town, and their respective members, officers, agents, employees and assigns. Such insurance 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. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the Town shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town. Such insurance may be maintained in whole or in part in the form of a program of self-insurance by the Town, or in the form of the participation by the Town in a program which provides pooled insurance. The Town will apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The Town is obligated under the Lease Agreement to maintain throughout the Term of the Lease Agreement casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the Town, whose determination will be final and conclusive. Such insurance will be subject to such deductibles as the Town deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Town, and may be maintained in whole or in part in the form of the participation by the Town in a joint powers authority or other program which provides pooled insurance; provided that such insurance may not be maintained by the Town in the form of self-insurance. The Town shall pay the Net Proceeds of such insurance to the Trustee for deposit into the Insurance and Condemnation Fund, as set forth in the Trust Agreement.

Rental Interruption Insurance. The Town will maintain throughout the term of the 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 by the insurance described in the previous paragraph, 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 Town, and may be maintained in whole or in part in the form of the participation by the Town in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the Town 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 Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The Town will cause the Assignment Agreement, the Site Lease and the Lease Agreement to be recorded in the office of the San Mateo County Recorder with respect to the Leased Property. Concurrent with the delivery of the Certificates, the Town will obtain a CLTA title insurance policy, insuring the Town's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate original principal amount of the Certificates. All Net Proceeds received under such title insurance policy are required to be deposited with the Trustee in the Lease Payment Fund and will be credited towards the prepayment of the Lease Payments.

Earthquake Insurance. The Town is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake or flood. The Town does not maintain earthquake insurance on the Leased Property.

Net Proceeds; Form of Insurance. All insurance policies maintained under the Lease Agreement shall name the Corporation and the Trustee as co-insureds, and (other than public liability and property damage insurance policies) shall name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The Town shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance is provided in the form of self-insurance, the Town shall file with the Trustee annually, within 90 days following the close of each fiscal year, a statement of the risk manager of the Town or an independent insurance advisor engaged by the Town identifying the extent of such self-insurance and the amounts held for that purpose, and stating the determination that the Town maintains sufficient reserves with respect thereto and that the self-insurance program is being maintained on an actuarially-sound basis. If any such insurance is provided in the form of self-insurance by the Town, the Town has no obligation to make any payment with respect to any insured event except from those reserves.

Substitution of Leased Property

Pursuant to the Site Lease and the Lease Agreement, the Town has the option at any time to substitute other real property (the "**Substitute Property**") for the Leased Property, or any

portion thereof (the "**Former Property**"), provided that the Town shall satisfy certain conditions precedent set forth in the Lease Agreement, including the following:

(a) No Event of Default has occurred and is continuing under and as defined in the Lease Agreement, and the Town has certified so in writing to the Corporation and the Trustee;

(b) The Town must file with the Corporation and the Trustee, and cause to be recorded in the office of the San Mateo County Recorder an amendment to the Lease Agreement and the Site Lease which adds a description of the Substitute Property and deletes from the Lease Agreement and the Site Lease the description of the Former Property;

(c) The Town must obtain a CLTA policy of title insurance insuring the Town's leasehold estate under the Lease Agreement in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof;

(d) The Town has certified in writing to the Corporation and Trustee that the insurance policies required by the Lease Agreement are in full force and effect with respect to the property which remains subject to this Lease following such substitution;

(e) The Town must certify in writing to the Corporation and the Trustee that such Substitute Property serves the municipal purposes of the Town and constitutes property which the Town is permitted to lease under the laws of the State of California;

(f) The substitution of the Substitute Property for the Former Property does not cause the Town to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement, and the Town has certified so in writing to the Corporation and the Trustee;

(g) The Town must certify in writing to the Corporation and the Trustee that the (i) estimated value of the Substitute Property is at least equal to the aggregate original principal amount of the Certificates, (ii) the fair rental value of the Substitute Property is at least equal to the Lease Payments thereafter coming due and payable hereunder, and (iii) the useful life of the Substitute Property at least equals the lesser of (A) the useful life of the Former Property, or (B) the final Lease Payment Date of the Lease Payments allocable thereto; and

(h) The Town must mail written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Site Lease and the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property. The Town is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of the substitution.

General Release of Leased Property

The Town may, at any time and from time to time, release any portion of the Leased Property (the "**Released Property**") from the Site Lease and the Lease Agreement upon satisfaction of all of the following requirements which are conditions precedent to such release:

(a) No Event of Default has occurred and is continuing under and as defined in the Lease Agreement, and the Town has certified so in writing to the Corporation and the Trustee;

(b) The Town must file with the Corporation and the Trustee, and cause to be recorded in the office of the San Mateo County Recorder an amendment to the Lease Agreement which removes the Released Property from the Site and the Lease Agreement;

(c) The Town has certified in writing to the Corporation and Trustee that the insurance policies required by the Lease Agreement are in full force and effect with respect to the property which remains subject to this Lease following such release;

(d) The Town must certify to the Corporation and the Trustee that the value of the property which will remain leased under the Lease Agreement following such release is at least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement; and

(e) The Town must mail written notice of such release to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Site Lease and the Lease Agreement will thereupon end as to the Released Property. The Town is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

Release of Holbrook-Palmer Park from Leased Property

The Lease Agreement provides that, notwithstanding the foregoing, upon final completion of the Project, the Town shall have the absolute right to release from the Lease Agreement, the Site Lease and the Assignment Agreement, the portion of the original Leased Property consisting of Holbrook-Palmer Park without meeting the conditions described in "– General Release of Lease Property" above, upon satisfaction of the following conditions:

(a) the Town shall deliver a certificate to the Trustee certifying that the Project is compete and the fair rental value of the Project is at least equal to the Lease Payments thereafter coming due and payable hereunder,

(b) the Town shall deliver certify in writing to the Trustee that the insurance policies required by the Lease Agreement are in full force and effect with respect to the Project, and

(c) the Town and the Corporation shall execute a Notice of Release of Leased Property (the "**Notice of Release**"), substantially in the form attached to the Lease Agreement, and the Town shall record the Notice of Release in the real property records of the County.

After the execution and recordation of the Notice of Release, and subject to any future substitution of property or future release of property under the Lease Agreement, references to the Leased Property in the Lease Agreement (and any recorded memorandum thereof), the Site Lease, and the Assignment Agreement shall be deemed to include only the Project and the related site, and shall not be deemed to include Holbrook-Palmer Park so released.

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 purposes 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 Town or with respect to the performance by the Town 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 consist 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.

The Corporation is a non-profit public benefit corporation duly organized and existing under the laws of the State. The Corporation was created for the purpose, among others, of providing assistance to public agencies that wish to finance public improvements. The Corporation is unrelated to the Town.

THE TOWN AND TOWN FINANCIAL INFORMATION

General

The Town is located in the County, approximately 30 miles south of the City and County of San Francisco. The estimated population of the Town as of January 1, 2019 was 7,070 and the Town occupies a land area of approximately 6 square miles.

The Town was incorporated in 1923 under the general laws of the State. The Town has a council-manager form of government. There are five Council Members who are elected at-large to serve overlapping terms of four years, and the Council, in turn, selects Council Members to serve as Mayor and Vice Mayor, for one-year terms.

The legislative body selects a City Manager to administer the affairs of the Town. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council and for overseeing the daily operations of the Town. The Town provides police services, highway and street maintenance, building and safety inspection, parks, culture, recreation, public improvements, planning and zoning, and general administrative services. See "APPENDIX A – THE TOWN OF ATHERTON AND COUNTY OF SAN MATEO DEMOGRAPHIC" for additional demographic information regarding the Town and the County.

Accounting Policies and Financial Reporting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she determines, examines the combined financial statements of the Town in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The most recent audited financial statements (the "**Financial Statements**") of the Town, for the year ended June 30, 2019, included in Appendix B to this Official Statement, have been examined by Maze & Associates, Pleasant Hill, California, independent certified public accountants (the "**Auditor**"). Financial information with respect to the Town in this Official Statement has been derived in part by the Town from its audited financial statements. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the Town or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated January 10, 2020.

Audited financial statements of the Town for prior years are on file for public inspection with the City Clerk. The Auditor has not reviewed or expressed any opinion regarding any portion of this Official Statement other than the Financial Statements.

Fund Balance Policy

The City Council has adopted a Fund Balance Reserve Policy for the General Fund (the "**Fund Balance Policy**"). The Fund Balance Policy provides reserves to maintain fiscal stability, continued operation of government in the event of an emergency, reduce long-term liabilities, plan for operational replacement capital expenses, and mitigate current and future risks.

Under the Fund Balance Policy, the Town has committed to maintaining the following fund balances expressed as a percentage of the Town's annual General Fund operating expenditures:

- 15% for emergency contingencies defined as a state of Federal and/or State emergency or declaration as defined in the Town's Municipal Code (the "**Emergency Disaster Reserve**"); and

- 20% or more in the General Fund unassigned fund balance (the "**General Unassigned Fund Balance**").

In addition, the Town strives to maintain an unallocated reserve balance in the minimum amount of $5 million (the "**Unallocated Reserve Balance**") to address long-term liabilities, and capital projects. As part of such goal, every year the City Council considers an allocation of the unallocated General Fund reserve balance to the Town's Capital Improvement Fund to assist in accumulating funds for future capital projects or other operational uses. As of June 30, 2019, the Unallocated Reserve Balance totaled approximately $20.1 million or approximately 154% of the General Fund operating expenditures for Fiscal Year 2018-19.

Budgetary Process

The fiscal year of the Town begins on the first day of July of each year and ends on the thirtieth day of June of the following year (the "**Fiscal Year**"). The Town's budget process consists of various stages, giving the City Council the opportunity to review the General Fund operations budget, the capital improvement plan, special revenue, and internal service funds. The Town has a core strategy of financial stability and, as part of the budget process, the Town seeks to have ongoing revenues match or exceed expenditures. The budget process provides Town staff the opportunity to examine programs, propose changes in current services, outline operational needs, and recommend the need for capital outlay items to City Council.

For the Town's Fiscal Year 2019-20 Operating and Capital Improvement Budget (the "**2019-20 Town Budget**"), the budget process began in March 2019 with a study session of the City Council covering the projected Fiscal Year 2018-19 year-end fiscal condition, major revenues and expenditures, and policy discussions. Additional study sessions followed in April, May, and June 2019, with the 2019-20 Town Budget being adopted by the City Council at a regular meeting on June 19, 2019.

In February 2020, the Town performed a mid-year review of its 2019-20 Town Budget. Such mid-year review did not address any potential impact of the COVID-19 pandemic on Fiscal Year 2019-20 revenues and expenditures for the balance of the fiscal year. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein. Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic

See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019," Note 2 for a further description of the Town's budget process.

Comparison of Budget to Actual Performance

The Town's budgeted General Fund revenues and expenditures for Fiscal Years 2017-18, 2018-19 and 2019-20, and actual General Fund revenues and expenditures for Fiscal Years

2017-18 and 2018-19, all prepared before the COVID-19 outbreak, are set forth in the following table.

TABLE 1
TOWN OF ATHERTON
General Fund - Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
For Fiscal Years 2017-18, 2018-19 and 2019-20 (budgeted)
Prepared Pre-COVID-19

	2017-18		2018-19		2019-20
	Final Budget	Actual	Final Budget	Actual	Mid-Year Budget[1][2]
REVENUES:					
Property taxes	$11,482,221	$11,191,973	$12,574,166	$12,305,870	$12,811,071
Sales taxes	268,627	313,155	295,999	343,310	316,439
Other taxes	1,234,550	1,280,856	1,300,216	1,260,414	1,392,000
From other govt. agencies	28,892	17,218	12,500	21,749	38,950
Permit and licenses	242,993	240,031	250,283	227,679	262,033
Fines and forfeitures	107,395	329,646	387,251	709,986	158,961
Service charges	2,895,791	2,890,472	3,008,693	2,804,383	2,792,789
Use of money and property	224,193	337,627	275,606	880,259	332,273
Miscellaneous	40,224	46,090	131,205	135,385	128,856
Total Revenues	$16,524,886	$16,647,068	$18,235,919	$18,689,035	$18,233,372
EXPENDITURES:					
Current:					
General govt.	$2,285,378	$2,119,621	$2,335,702	$2,278,852	$2,691,0077
Planning	279,750	281,528	297,630	266,227	337,781
Building	1,373,247	1,274,728	1,451,951	1,190,395	1,322,150
Police	7,175,704	6,762,763	7,685,312	7,468,610	7,971,447
Public works	1,984,865	1,517,689	2,235,562	1,678,723	2,207,420
Capital outlay	239,052	108,693	299,262	141,417	328,541
Total Expenditures	$13,337,996	$12,065,022	$14,305,419	$13,024,224	$14,858,346
REVENUES OVER (UNDER) EXPENDITURES	$3,186,890	$4,582,046	$3,930,500	$5,664,811	$3,375,027
OTHER FINANCING SOURCES (USES):					
Transfers in	$372,000	$372,000	--	--	--
Transfers out	(449,258)	(614,258)	$(235,397)	$(237,929)	$(110,000)
Total other financing sources (uses)	$(77,258)	$(242,258)	$(235,397)	$(237,929)	$(110,000)
Net change in fund balances	$3,109,632	$4,339,788	$3,695,103	$5,426,882	$3,131,885
FUND BALANCES					
Beginning of year	--	$13,006,925	--	$17,346,713	--
End of year	--	17,346,713	--	22,773,595	--

(1) As of February 5, 2020.
(2) Prepared prior to the COVID-19 outbreak. Fiscal year 2019-20 Budget figures do not reflect potential changes related to the COVID-19 outbreak. The Town currently anticipates that aggregate General Fund revenues for Fiscal Year Fiscal Year 2019-20 may be approximately 5% or more lower than the mid-year estimate budget amounts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."
Source: Town of Atherton.

General Fund Financial Summary

The following tables show the Town's General Fund revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity for Fiscal Years 2014-15 through 2018-19.

TABLE 2
TOWN OF ATHERTON
General Fund Revenue, Expenditures and Fund Balances
For Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
REVENUES:					
Property taxes	$8,899,708	$9,602,651	$10,328,709	$11,191,973	$12,305,870
Sales taxes	687,478	423,444	340,074	313,155	343,310
Other taxes	1,289,256	1,220,855	1,242,152	1,280,856	1,260,414
From other governmental agencies	105,216	42,053	23,582	17,218	21,749
Permit and licenses	256,805	175,999	240,700	240,031	227,679
Fines and forfeitures	517,403	82,255	168,238	329,646	709,986
Service charges	2,460,324	2,290,221	2,675,409	2,890,472	2,804,383
Use of money and property	168,249	242,770	189,350	337,627	880,259
Miscellaneous	104,627	28,250	93,544	46,090	135,385
Total Revenues	$14,489,066	$14,108,498	$15,301,758	$16,647,068	$18,689,035
EXPENDITURES:					
Current:					
General government	$2,969,515	$1,758,710	$1,950,378	$2,119,621	$2,278,852
Planning	225,872	208,357	228,252	281,528	266,227
Building	1,353,487	1,053,146	1,199,076	1,274,728	1,190,395
Police	5,656,160	5,961,598	6,483,668	6,762,763	7,468,610
Public works	1,295,136	1,433,983	1,484,587	1,517,689	1,678,723
Capital outlay	121,559	194,849	90,578	108,693	141,417
Total Expenditures	$11,621,729	$10,610,643	$11,436,539	$12,065,022	$13,024,224
REVENUES OVER (UNDER) EXPENDITURES	$2,867,337	$3,497,855	$3,865,219	$4,582,046	$5,664,811
OTHER FINANCING SOURCES (USES):					
Transfers in	$372,000	$372,000	$372,000	$372,000	--
Transfers out	--	(4,234,968)[(1)]	(4,536,136)[(2)]	(614,258)	$(237,929)
Total other financing sources (uses)	372,000	(3,862,968)	(4,164,136)	(242,258)	(237,929)
Net change in fund balances	3,239,337	(365,113)	(298,917)	$4,339,788	$5,426,882
FUND BALANCES					
Beginning of year	$10,431,618	$13,670,955	$13,305,842	$13,006,925	$17,346,713
End of year	13,670,955	13,305,842	13,006,925	17,346,713	22,773,595

(1) In Fiscal Year 2015-16, the City Council approved transfers out of the General Fund of $2,923,041 for capital improvement projects and $1,311,927 for funding worker's compensation insurance and employee benefits.
(2) In Fiscal Year 2016-17, the City Council approved transfers out of the General Fund of $4,423,138 for capital improvement projects and $112,998 for funding worker's compensation insurance and employee benefits.
Source: Town of Atherton, Basic Financial Statements for the Fiscal Years Ended June 30, 2015, 2016, 2017, 2018, and 2019.

TABLE 3
TOWN OF ATHERTON
General Fund Comparative Balance Sheet
For Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
ASSETS					
Cash and investments	$15,480,739	$15,607,133	$16,438,256	$21,671,331	$26,530,939
Receivables:					
Taxes	161,357	150,024	97,886	135,739	252,580
Interest	8,243	14,723	31,314	95,884	141,422
Other	51,069	33,176	72,514	11,360	22,807
Prepaids	--	--	400	58,400	32,473
Due from other funds	9,010	--	--	7,032	--
Total Assets	$15,710,418	$15,805,056	$16,640,370	$21,979,746	$26,980,221
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$492,553	$301,410	$334,406	$527,406	$223,517
Accrued liabilities	181,767	223,206	237,545	288,327	283,085
Deposits payable	1,365,143	1,963,273	3,002,251	3,601,685	3,508,600
Note payable	--	--	--	156,495	140,846
Unearned revenue	--	11,325	59,243	59,120	50,578
Total Liabilities	$2,039,463	$2,499,214	$3,633,445	$4,633,033	$4,206,626
Fund Balances:					
Nonspendable	--	--	$400	$58,400	$32,473
Committed	1,743,259	1,743,259	1,743,259	1,809,753	1,953,634
Assigned	516,300	545,453	583,517	620,859	639,678
Unassigned	11,411,396	11,017,130	10,679,749	14,857,701	20,147,810
Total Fund Balances	$13,670,955	$13,305,842	$13,006,925	$17,346,713	$22,773,595
Total Liabilities and Fund Balances	$15,710,418	$15,805,056	$16,640,370	$21,979,746	$26,980,221

Source: Town of Atherton, Basic Financial Statements for the Fiscal Years Ended June 30, 2015, 2016, 2017, 2018, and 2019.

Tax Receipts

Tax revenues received by the Town include primarily property taxes, sales and use taxes, and other taxes such as franchise taxes and document transfer taxes. Of such taxes, property taxes and other taxes constitute the major sources of General Fund revenues.

The following table summarizes the Town's General Fund tax revenues for Fiscal Years 2014-15 through 2018-19 and amounts budgeted for Fiscal Year 2019-20 (which was prepared before the COVID-19 outbreak), by source.

TABLE 4
TOWN OF ATHERTON
Tax Revenues by Source
For Fiscal Years 2014-15 through 2018-19, and 2019-20 (budgeted)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Mid-Year Budget[3][4]
Property Taxes	$8,899,708	$9,602,651	$10,328,709	$11,191,973	$12,305,870	$12,811,071
Sales Tax[1]	687,478	423,444	340,074	313,155	343,310	316,439
Other Taxes[2]	1,289,256	1,220,855	1,242,152	1,280,856	1,260,414	1,392,000
Total	$10,876,442	$11,246,950	$11,910,935	$12,785,984	$13,909,594	$14,519,510

(1) Represent the sixth largest source of General Fund revenues, or approximately 2% of Fiscal Year 2018-19 General Fund revenues.
(2) Includes franchise taxes and document transfer taxes. Other taxes collectively represent the third largest source of General Fund revenues (behind revenues from charges for services), or approximately 7% of Fiscal Year 2018-19 General Fund revenues. See "– Charges for Services" below for a discussion regarding charges for services.
(3) As of February 5, 2020.
(4) Prepared prior to the COVID-19 outbreak. Fiscal year 2019-20 Budget figures do not reflect potential changes related to the COVID-19 outbreak. The Town currently anticipates that aggregate General Fund revenues for Fiscal Year Fiscal Year 2019-20 may be approximately 5% or more lower than the mid-year estimate budget amounts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."
Source: Town of Atherton.

Property Taxes

General. Property taxes are currently the Town's largest revenue source, accounting for approximately 70% and 66% of the Town's total General Fund revenues in Fiscal Years 2017-18 and 2018-19, respectively. The Town received approximately $11.2 million and $12.3 million of property tax revenues in Fiscal Year 2017-18 and 2018-19, respectively, and has budgeted to receive approximately $12.8 million in property tax revenue for Fiscal Year 2019-20. See "– Assessed Valuation" below.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were curtailed when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund ("**ERAF**"), a shift that has resulted in diversion of Town property taxes since fiscal year 1992-93. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND

APPROPRIATIONS – Proposition 1A." There can be no assurance that the State will not undertake future ERAF shifts.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property, the taxes on which have a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

Delinquency rates are generally higher during a recession, and the Town anticipates that the delinquency rates may be higher than current rates in future years depending on the length of time it takes for the economy to recover from COVID-19 impacts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools 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.

Assessed Valuation History. The following table shows a history of the Town's net taxable assessed valuation from Fiscal Year 2010-11 to Fiscal Year 2019-20.

TABLE 5
TOWN OF ATHERTON
Net Taxable Assessed Valuation
Fiscal Years 2010-11 to 2019-20

Fiscal Year	Net Taxable Assessed Value	% Change
2010-11	$6,169,645,487	--
2011-12	6,373,832,577	3.30%
2012-13	6,949,217,818	9.03
2013-14	7,575,935,532	9.02
2014-15	8,068,565,397	6.50
2015-16	8,791,201,962	9.00
2016-17	9,512,555,665	8.21
2017-18	10,220,091,841	7.44
2018-19	10,941,160,453	7.06
2019-20	11,664,530,505	6.61

Source: HdL, Coren & Cone.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a "decline-in-value." As of the January 1st (lien date) each year, the Assessor must enroll either a property's Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a "Proposition 8 Value." "Proposition 8 values" are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

The Town anticipates the assessed value of taxable property in the Town to increase in Fiscal Year 2020-21. However, the Town estimates that such increase will be negatively impacted by the COVID-19 outbreak as compared to previous fiscal years and Town staff is currently projecting an increase of approximately 4% in secured assessed values within the Town in Fiscal Year 2020-21. In future years, the number of Proposition 8 adjustments may also increase as a result of the COVID-19 impact on the economy. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Largest Property Taxpayers. The following table shows the ten largest property taxpayers in the Town as determined by their net taxable valuations in Fiscal Year 2019-20.

TABLE 6
TOWN OF ATHERTON
Ten Largest Property Taxpayers
Fiscal Year Ending 2019-20

	Property Owner	Land Use	Net Taxable Value	% Total
1.	George R Roberts Trust	Residential	$66,927,917	0.57%
2.	237 Atherton Avenue LLC	Residential	59,451,994	0.51
3.	Bita Daryabari Trust	Residential	50,958,452	0.44
4.	Paul G Roberts Trust	Residential	45,578,253	0.39
5.	Pink Sunset LLC	Residential	43,849,488	0.38
6.	Huwa Holding LLC	Residential	43,095,656	0.37
7.	California Water Service Company	Miscellaneous	39,055,450	0.33
8.	William Tai Trust	Residential	36,686,986	0.31
9.	Century Frontier Limited	Residential	36,043,800	0.31
10.	Farzad Nazem Trust	Residential	34,913,335	0.30
	Total		**$456,561,331**	**3.91%**

Source: HdL, Coren & Cone.

Tax Rates. The basic tax rate for all taxing entities within a particular tax code area is $1 per $100 of assessed valuation in accordance with Article XIIIA of the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters.

Tax Levies, Collections and Teeter Plan. Property taxes on the secured roll are due in two installments, on January 1st and June 1st of the fiscal year. If unpaid, such taxes become delinquent on December 10th and April 10th, respectively, and a 10 percent penalty attaches to any delinquent payment. On July 1, an additional 1½ percent per month is levied on delinquencies for five years. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30th five years after the delinquency occurs. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1st lien date and become delinquent, if unpaid, on August 31st. A six percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one percent per month begins to accrue beginning November 1st of the fiscal year.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The Board of Supervisors of the County has approved the implementation of 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 California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the Town, for which the County acts as the tax-levying or tax-collecting agency. The Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the Town) for which the County acts as the tax-levying or tax-collecting agency. The County Board of Supervisors may also by resolution discontinue the Teeter Plan with respect to any tax levying agency (such as the Town) if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency.

Delinquency rates are generally higher during a recession, and the Town anticipates that delinquency rates may be higher than recent delinquency rates in future years depending on the length of time it takes for the economy to recover from COVID-19 impacts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein.

Charges for Services

Charges for services constituted the Town's second largest source of General Fund revenues for Fiscal Year 2017-18 and 2018-19. In such fiscal years, charges for services accounted for approximately 17.4% and 15.0%, respectively, of the Town's General Fund Revenues. The Town provides various services which generate revenue for its General Fund. General Fund revenues for services provided by the Town include building construction and planning fees and permits, engineering encroachment inspections, tree removal and tree inspection fees, police fees such as fingerprinting, police reports, towing, and administrative citations, rent for leased property, as well as a number of recreation park program fees.

The following table summarizes the Town's General Fund charges for services for Fiscal Years 2014-15 through 2018-19 and amounts budgeted for Fiscal Year 2019-20, by source.

TABLE 7
TOWN OF ATHERTON
Charges for Services by Source
For Fiscal Years 2014-15 through 2018-19, and 2019-20 (budgeted)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Mid-Year Budget[1][2]
Building Permits	$1,006,825	$880,779	$1,111,832	$1,165,834	$1,090,343	$1,083,787
Building Plan Checks	454,040	390,266	477,931	553,541	391,289	475,000
Encroachment Permits	245,845	289,293	331,656	437,971	622,526	500,000
Zoning	293,176	245,529	247,897	230,129	191,067	232,000
Other Charges	460,438	484,354	506,093	502,997	509,158	502,002
Total	$2,460,324	$2,290,221	$2,675,409	$2,890,472	$2,804,383	$2,792,789

(1) As of February 5, 2020.
(2) Fiscal year 2019-20 Budget figures do not reflect potential changes related to the COVID-19 outbreak. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic." The Town currently anticipates that general fund revenues from charges for services for Fiscal Year 2019-20 may be 15-25% lower than the mid-year estimated budget amounts.
Source: Town of Atherton.

Due to the decline in construction activity in response to the COVID-19 outbreak, the Town currently is only issuing building permits for health and safety work and anticipates that general fund revenues from charges for services for Fiscal Year 2019-20 may be 15-25% lower than the mid-year estimate budget amounts. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."

No Outstanding Long-Term Obligations

As of June 30, 2019, the Town did not have any long-term debt payable from the Town's General Fund.

Direct and Overlapping Bonded Debt

The statement of direct and overlapping debt (the "**Debt Report**") set forth below was prepared by California Municipal Statistics, Inc. as of April 1, 2020. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The Town takes no responsibility for its completeness or accuracy.

TABLE 8
TOWN OF ATHERTON
Statement of Direct and Overlapping Debt
As of April 1, 2020

2019-20 Assessed Valuation: $11,664,530,505

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/20	
San Mateo Community College District	4.874%	$ 37,368,154	
Sequoia Union High School District	11.360	58,017,224	
Las Lomitas School District	30.508	26,599,925	
Menlo Park City School District	33.865	43,867,054	
Redwood City School District	8.389	16,129,902	
Town of Atherton	**100.000**	**-**	(1)
Midpeninsula Regional Open Space District	3.728	3,310,837	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$185,293,096	
OVERLAPPING GENERAL FUND DEBT:			
San Mateo County General Fund Obligations	4.874%	$25,861,944	
San Mateo County Board of Education Certificates of Participation	4.874	396,744	
Menlo Park Fire Protection District Certificates of Participation	28.138	2,788,476	
Midpeninsula Regional Park District General Fund Obligations	3.728	4,174,823	
TOTAL OVERLAPPING GENERAL FUND DEBT		$33,221,987	
COMBINED TOTAL DEBT		$218,515,083	(2)

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($0).....	**0.00%**
Total Direct and Overlapping Tax and Assessment Debt	1.59%
Combined Direct Debt.....	1.87%

(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.

Investment Policies and Procedures

Funds held by the Town are invested in accordance with the Town's Statement of Investment Policy (the "**Investment Policy**") prepared by the Finance Director/Treasurer as authorized by Section 53601 of the Government code of California. The Investment Policy is submitted to the Town's City Council annually.

The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity, attainment of a market rate of return, and diversification. Further, operating funds may not be invested in any investment with a maturity greater than five years. The Town has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by Town policy. Information about the sensitivity of the fair market values of the Town's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

TABLE 9
TOWN OF ATHERTON
Investments by Maturity
March 31, 2020

Remaining Maturity (in Months)

Investment Type	12 Months or Less	13 to 24 Months	Total[(1)]
U.S. Treasury Notes	$1,500,000	$ --	$1,500,000
U.S. Agency Securities	5,100,000	1,470,000	6,570,000
Corporate Notes	2,900,000	2,380,000	5,280,000
San Mateo County Investment Pool (SMCL Donor Trust Fund)	1,783,465	--	1,783,465
Local Agency Investment Fund	23,291,442	--	23,291,442
Money Market Mutual Fund	2,229,434	--	2,229,434
Total Investments	$36,804,341	$3,850,000	$40,654,341
Demand Deposits and Cash on Hand			$6,299,847
	Total Cash and Investments		$46,954,188

(1) Fair market value as of March 31, 2020. Table does not reflect effects of subsequent market volatility, which has been attributed to impacts associated with the COVID-19 outbreak. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic."
Source: Town of Atherton.

The Town believes that its funds are prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the Town's expenditures and other scheduled withdrawals. However, future investment earnings are expected to decline resulting from the effect of COVID-19 on current investment values and the lower yields that are expected on the Town's future investments. See "RISK FACTORS – Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic" herein. For additional information concerning the Town investments, see APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Capital Improvement Program

The Town maintains a five-year capital improvement program (the "**Capital Improvement Program**"), which is revised every year in connection with the Town's budget. The 2019-24 Capital Improvement Program includes approximately $60.5 million in capital projects over the next five years, approximately $37.4 million of which is attributable to the Atherton Town Center and approximately $18.4 million of which is attributable to the Town Library. The 2019-24 Capital Improvement Program includes projects associated with the Project, bicycle and pedestrian improvements, Holbrook-Palmer Park, storm drainage, pavement management, and street lights. The Capital Improvement Program has historically been funded by a combination of funds from the General Fund, voter-approved measures, state allocated gas tax funds, the Town's Library Fund, fees collected to finance drainage, and donations.

Pension Plans

*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 Town 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 comprehensive annual 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 Town nor the 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.

Description of Plans. All qualified permanent and probationary employees are eligible to participate in the Town's separate Safety (police) cost-sharing multiple-employer defined benefit pension plan (for employees hired before January 1, 2013, the "**Classic Safety Plan**" and for employees hired on and after January 1, 2013, the "**PEPRA Safety Plan**") and Miscellaneous (all other) cost-sharing multiple-employer defined benefit pension plan (for employees hired before January 1, 2013, "**Classic Miscellaneous Plan**" and for employees hired on and after January 1, 2013, the "**PEPRA Miscellaneous Plan**"). The Classic Safety Plan, PEPRA Safety Plan, Classic Miscellaneous Plan, and PEPRA Miscellaneous Plan are collectively referred to as the "**Pension Plans**." The Pension Plans are administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers.

The most recent actuarial reports for the Pension Plans that are available from CalPERS are for the valuations as of June 30, 2018. As a result, such valuation reports and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the Plans.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

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. The total plan contributions are determined through the CalPERS annual actuarial valuation process. 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 Town is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

The Town's labor contracts ("**MOU**") require the Town to pay the employees' contributions as well as employer's portion, except for the sworn officers, who are responsible for 2% of 9% after the Town makes a 7% contribution. However, as of July 1, 2013, Miscellaneous Plan employees started to pay their own portion of the required employee contribution rate of 7%. The Town and the Atherton Police Officers Association adopted a new MOU on October 1, 2013.

Effective January 1, 2016, the Town ceased paying any portion of the employees' share and the employees pay 100% of the employee share of the mandatory member contribution, presently 9% for sworn officers and 7% for civilian. Beginning with Fiscal Year 2017-18, the Town implemented cost-sharing agreements with its employees that require employees to contribute an additional 1% (Miscellaneous) or 3% (Safety) of the employer contribution. The Town's employer actuarially determined required contribution rates (including unfunded accrued liability contributions) for each Pension Plan as a percentage of payroll for the last three fiscal years and the projected contribution for Fiscal Year 2020-21 are set forth below.

TABLE 10
TOWN OF ATHERTON
CalPERS Town Required Contribution Rates
Fiscal Years 2017-18 through 2020-21[(1)]
By Pension Plan

Pension Plan	2017-18	2018-19	2019-20	2020-21
Classic Miscellaneous Plan	20.642%	25.164%	27.693%	32.313%
PEPRA Miscellaneous Plan	7.070	7.691	7.765	9.013
Classic Safety Plan	43.620	50.908	76.476	74.696
PEPRA Safety Plan	13.137	13.453	14.449	15.002

(1) The rates shown are for July 1 of each year; however, it may not be the rate in effect for the complete fiscal year. Changes in plan benefits, the funding period, prepayments, or other contract changes may not be reflected in these rates.
Source: CalPERS Annual Valuation Actuarial Reports as of June 30 of the years 2016, 2017, and 2018.

The following table shows the Town's actuarially determined contributions for the Miscellaneous Plan (in aggregate for both tiers thereof) and the Safety Plan (in aggregate for both tiers thereof) and as a percentage of payroll for the last five fiscal years.

TABLE 11
TOWN OF ATHERTON
CalPERS Town Contributions
Fiscal Years 2014-15 through 2018-19
By Pension Plan

Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contribution as % of Covered Payroll
2014-15	$179,934	11.27%
2015-16	150,616	8.50
2016-17	305,597	15.98
2017-18	349,365	17.12
2018-19	416,994	19.60

Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contribution as % of Covered Payroll
2014-15	$646,174	27.02%
2015-16	466,548	18.75
2016-17	849,073	35.16
2017-18	939,476	36.01
2018-19	1,042,632	39.02

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

Funded Status. The following tables set forth the schedule of funding for the Pension Plans as of June 30 of the years 2015 through 2018. *The following information was provided to the Town by CalPERS and has not been reviewed for accuracy or audited by the Auditor. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.*

TABLE 12
TOWN OF ATHERTON
CalPERS Funded Status
As of June 30 of the years 2015 through 2018
By Pension Plan

Classic Miscellaneous Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$15,806,251	$12,571,337	$3,234,914	79.5%	$1,452,348	222.74%
2016	16,506,054	12,141,574	4,364,480	73.6	1,399,357	311.89
2017	17,850,764	13,504,290	4,346,474	75.7	1,562,584	278.16
2018	19,118,587	14,011,196	5,107,391	73.3	1,478,524	345.44

PEPRA Miscellaneous Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$34,451	$33,187	$1,264	96.3%	$233,018	0.54%
2016	83,679	75,884	7,795	90.7	309,096	2.52
2017	162,209	155,277	6,932	95.7	438,152	1.58
2018	266,039	246,793	19,246	92.8	534,274	3.60

Classic Safety Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$36,891,116	$28,263,430	$8,627,686	76.6%	$2,046,383	421.61%
2016	38,454,832	27,292,457	11,162,375	71.0	2,010,099	555.31
2017	41,333,503	29,968,235	11,365,268	72.5	1,342,110	846.82
2018	43,955,355	30,918,059	13,037,296	70.3	1,648,799	790.71

PEPRA Safety Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2015	$71,655	$66,027	$5,628	92.1%	$443,135	1.27%
2016	134,082	116,603	17,479	87.0	436,385	4.01
2017	230,501	210,826	19,675	91.5	788,055	2.50
2018	528,785	479,753	49,032	90.7	866,882	5.66

(1) Based on the market value of assets.
Source: CalPERS Annual Valuation Actuarial Report as of June 30, 2018 for each Pension Plan.

As of June 30, 2019, the Classic Miscellaneous Plan's share of unfunded accrued liability had declined to $4,466,539 and the Classic Safety Plan's share of unfunded accrued liability had declined to $11,730,572.

The most recent actuarial reports for the Pension Plans that are available from CalPERS are for the valuations as of June 30, 2018. As a result, such valuation reports and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the Plans. The Town expects that the impacts of the COVID-19 outbreak will cause its unfunded accrued pension liability to increase in the future as result.

Recent Actions Taken by CalPERS. On November 18, 2015, the CalPERS' Board of Administration (the "**Board of Administration**") adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the Town, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the Town with respect to the Pension Plans, are anticipated to increase beginning in fiscal year 2020-21.

Projected Annual Contributions. The following tables show the Town's actuarially-determined required employer contribution for Fiscal Year 2020-21 and projected employer contributions (before cost sharing) for Fiscal Years 2021-22 through 2025-26 for each of the Pension Plans by normal cost (expressed as a percentage of total active payroll) and amortization of the unfunded accrued liability (expressed as a dollar amount). Such projections assume a 7.00% annual rate of return for Fiscal Year 2018-19. *The following information was provided to*

the Town by CalPERS and has not been reviewed for accuracy or audited by the Auditor. CalPERS is responsible for the assumptions, estimates and data that are used to create the funded ratios.

TABLE 13
TOWN OF ATHERTON
CalPERS Projected Annual Contributions
As of June 30, 2018
By Pension Plan

Classic Miscellaneous Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	11.199%	11.2%	11.2%	11.2%	11.2%	11.2%
UAL Payment	$338,645	$391,000	$435,000	$461,000	$489,000	$502,000

PEPRA Miscellaneous Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	7.874%	7.9%	7.9%	7.9%	7.9%	7.9%
UAL Payment	$6,600	$6,800	$7,000	$7,200	$7,400	$0

Classic Safety Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	25.540%	25.5%	25.5%	25.5%	25.5%	25.5%
UAL Payment	$879,200	$1,005,000	$1,100,000	$1,175,000	$1,241,000	$1,275,000

PEPRA Safety Plan

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	13.884%	13.9%	13.9%	13.9%	13.9%	13.9%
UAL Payment	$10,518	$11,000	$11,000	$11,000	$12,000	$12,000

Source: CalPERS Actuarial Valuation Reports as of June 30, 2018 for each Pension Plan.

Expected COVID-19 Impacts on CalPERS Contributions. There has been tremendous volatility in the markets in the United States and globally associated with the COVID-19 outbreak, resulting in significant declines and speculation of a national and global recession. As previously described, the most recent actuarial reports for the Pension Plans that are available from CalPERS are for the valuations as of June 30, 2018. As a result, such valuation reports and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the Plans. The Town expects that the impacts of the COVID-19 outbreak will cause its required CalPERS contributions to increase in commencing in Fiscal Year 2022-23 beyond those projected in most recent actuarial valuation reports from CalPERS and which are described in Table 13 above. See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 7" for additional regarding the Town's retirement plans.

Post-Employment Healthcare Benefits

Plan Description. The Town provides certain medical benefits for employees and dependents who retire directly from the Town at 50 years or older and who are vested in CalPERS (the "**OPEB Plan**"). The OPEB Plan is a single-employer defined benefit plan, with the City Manager appointed as the plan administrator. Public Agency Retirement Services ("**PARS**") administers the trust (the "**PARS Trust**") for the OPEB Plan. As of June 30, 2019, the balance in the PARS Trust was $6,842,386.

Benefits Provided and Funding Policy. The Town participates in the CalPERS medical program. Retirees who qualify for a CalPERS pension are entitled to employer-paid CalPERS medical benefits. The Town does not pay for dental, vision, or other health and welfare benefits for retirees. Employees who retire from the Town, receive a CalPERS pension, and continue their CalPERS medical coverage are eligible to receive benefits, which continue throughout the life of the retiree and surviving spouse. Specific medical benefits provided by the OPEB Plan are dependent on employee category, date of hire, and date of retirement. The Town intends to contribute the full actuarially determined contribution to the PARs Trust each year. See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 8" for a description of a description of amounts paid by the Town on behalf of OPEB Plan members.

Changes in Reporting Requirements. In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("**GASB Statement No. 74**"). This statement replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended ("**GASB Statement No. 43**"), and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, GASB Statement No. 43, and GASB Statement No. 50, Pension Disclosures. The Town implemented GASB Statement No. 74 in fiscal year 2017-18.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("**GASB Statement No. 75**"). This statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended ("**GASB Statement No. 45**"), and Statement No. 57, for OPEB. GASB Statement No. 75 addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows/inflows of resources, and expenses/expenditures. The Town implemented GASB Statement No. 75 in fiscal year 2017-18. Because GASB Statements No. 74 and 75 have been implemented, the annual required contribution formerly required under GASB Statements No. 43 and 45 is no longer applicable to OPEB plans such as the OPEB Plan.

Contributions. For Fiscal Year 2017-18, the Town's contributions were $493,288 which were less than the actuarially determined contributions of $693,890. For Fiscal Year 2018-19 the Town's contributions were $747,885 which were greater than the actuarially determined contributions of $419,511.

TABLE 14
TOWN OF ATHERTON
Schedule of OPEB Contributions
Fiscal Years 2017-18 and 2018-19

	2017-18	2018-19
Actuarially Determined Contribution (ADC)	$693,890	$419,511
Contribution in relation to ADC	493,288	747,885
Contribution deficiency (excess)	$200,602	$(328,374)
Covered employee payroll	$4,497,946	$4,799,843
Contributions as percentage of covered-employee payroll	10.97%	15.58%

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

Changes in Net OPEB Liability. The change in the Town's net OPEB liability was measured as of June 30, 2019 (the most recent measurement date) as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018 Measurement Date	$10,269,746	$6,259,170	$4,010,576
Changes Recognized for the Measurement Period			
Service Cost	167,493	--	167,493
Interest on total OPEB Liability	610,002	--	610,002
Changes in Benefit Terms	--	--	--
Differences between Expected and Actual Experience	(11,091)	--	(11,091)
Changes of Assumptions	--	--	--
Contributions from the Employer	--	747,885	(747,885)
Net Investment Income	--	417,827	(417,827)
Benefit Payments	(549,101)	(549,101)	--
Administrative Expenses	--	(33,395)	33,395
Net Changes	217,303	583,216	(365,913)
Balance at June 30, 2019 Measurement Date	$10,487,049	$6,842,386	$3,644,663
Plan Fiduciary Net Position as % of Total OPEB Liability		65.2%	

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

To comply with Actuarial Standard Practice No. 6 ("**ASOP 6**"), the actuarial valuation includes an implicit subsidy liability. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but only pay the same premiums as active employees. As a result of the required ASOP 6, the Town's actuarial accrued liability at June 30, 2019 included an implicit subsidy liability of $2,091,964.

The following presents the net OPEB liability of the Town if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Discount Rate – 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
Net OPEB Liability	$2,506,891	$3,644,663	$2,496,494

Source: Town of Atherton, Basic Financial Statements for the Fiscal Year Ended June 30, 2019.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples

include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual requires contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 8" for a description of the actuarial methods and assumptions used to measure the Town's net OPEB asset as of June 30, 2019.

OPEB Funded Status. The status of the OPEB Plan as of the June 30, 2018 and June 30, 2019 measurement dates are as follows:

TABLE 15
TOWN OF ATHERTON
OPEB Funded Status

	June 30, 2018	June 30, 2019
Total OPEB Liability – Beginning	$12,532,328	$10,269,746
Total OPEB Liability – Ending (a)	10,269,746	10,487,049
Plan Fiduciary Net Position – Beginning	$5,855,635	$6,259,170
Plan Fiduciary Net Position – Ending (b)	6,259,170	6,842,386
Net OPEB Liability (a) – (b)	$4,010,576	$3,644,663
Plan Fiduciary Net Position as a percentage of the total OPEB liability	60.9%	65.2%
Covered employee payroll	$4,497,946	$4,799,843
Net OPEB Liability as a percentage of covered-employee payroll	89.16%	75.93%

Source: Town of Atherton.

The most recent actuarial report for the OPEB Plan is for the valuation as of June 30, 2018. As a result, such valuation report and the information presented in this Official Statement do not reflect the impact of recent market volatility and its effect on the OPEB Plan.

See APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 8" for additional information regarding the Town's OPEB costs as of June 30, 2019.

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 Town to levy taxes and spend tax proceeds for operating and other purposes. The discussion of the Constitutional and statutory provisions and judicial decisions interpreting these provisions below is not intended to be an exhaustive analysis of these provisions.

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA 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 XIIIA approved by State voters on June 3, 1986) 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 XIIIA 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 XIIIA 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 XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 XIIIA, all taxable property is now shown at "full cash value" on the County's property tax rolls.

Split Roll Initiative. An initiative measure (the "**Split Roll Initiative**") to amend Article XIIIA has qualified for the State's November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor's office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than $2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to $500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. While the impact of the Split Roll Initiative on the Town, if adopted, may be lessened due to the primarily residential nature of the Town, the Town is unable to predict how the Split Roll Initiative would affect the relationship of the assessed value between land use types (i.e. residential versus commercial) in the Town.

Appropriation Limitation – Article XIIIB

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

Under Article XIIIB, 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 XIIIB 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 Town's appropriations limit for fiscal year 2019-20 is $13,822,878, and the Town does not anticipate exceeding this limit.

Proposition 218 – Article XIIIC and Article XIIID

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 XIIIC and XIIID to the State Constitution and contains a number of interrelated provisions affecting the ability of the Town 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 XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA 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 XIIIC 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 XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the Town ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the Town's General Fund, require a two-thirds vote. The voter approval requirements of Article XIIIC reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees and Charges. Article XIIID 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 XIIID, 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 XIIIC 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 Town 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 Town's General Fund. See "THE TOWN AND TOWN FINANCIAL INFORMATION." If such repeal or reduction occurs, the Town's ability to pay debt service with respect to the Certificates could be adversely affected.

Burden of Proof. Article XIIIC 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 XIIID 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 XIIID.

Impact on Town's General Fund. The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town 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 Town 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 XIIIC and XIIID 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. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62.

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources.

Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding.

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.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC, and XIIID, 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 Town or its revenues or the ability of the Town to expend revenues.

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the Certificates. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Certificates and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the Certificates are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Certificates. There can be no assurance that other considerations will not materialize in the future.

Infectious Disease Outbreak and Potential Impact of COVID-19 (Coronavirus) Pandemic

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 World Health Organization (the "WHO") announced the official name for the outbreak of COVID-19, an upper respiratory tract illness first identified in Wuhan, China. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world. 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 Town's operations and financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the current COVID-19 pandemic. The Town cannot predict any costs associated with the potential treatment of an infectious disease outbreak or preparation for such treatment.

On March 4, 2020, the Governor of California (the "**Governor**") proclaimed a state of emergency in California as a result of the threat of COVID-19. Under the California Emergency Services Act, during a state of emergency, the Governor has authority over all agencies of the state government and can exercise the State's police powers. His powers also include the power to promulgate, issue, and enforce orders and regulations as he deems necessary.

Since declaring the emergency, the Governor has issued a number of executive orders relating to COVID19 preparedness and mitigation. These include his March 19, 2020 Executive Order N-33-20, which orders all individuals living in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of certain critical infrastructure sectors, as described in that order and later designations. The County issued an order limiting large scale events and mass gatherings within the County ("**County Order**") effective for its residents on March 16, 2020. Since that time, County personnel have spearheaded a strategic response to battling community spread of the COVID-19, taking action which substantially aligns, among other matters, with the Governor's order. These actions are focused on "social distancing," or limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and impacts enterprise operations and the economy. The County Order has since been extended and modified, most recently by an order dated April 29, 2020 that relaxed conditions on certain essential businesses and allowed certain outdoor businesses to resume operating provided that social distancing measures continue to be observed. The County Order is in effect through May 31, 2020, but may be modified or extended by the County at any time.

The Governor issued Executive Orders N-29-20 and N-35-20 relaxing state and local agency open meeting laws to accommodate social distancing. The Town expects to hold meetings of its City Council substantially unhindered by the COVID-19 outbreak. As permitted under Executive Order N-33-20, certain of the Town's employees may continue to come to work under designated exceptions for critical sectors. Additionally, some of the Town's employees are teleworking. The Town does not expect its business operations to be materially curtailed by employee absences prompted by the stay-home order. However, the Town offers no assurances that City Council member or employee absences due to COVID-19 illnesses will not materially and adversely impact its operations. While many services the Town provides have been reduced, essential services have continued to operate without interruption.

The Town can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on property tax revenues, which in turn could materially impact the Town's ability to make the Lease Payments when due.

Potential impacts to the Town associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy with corresponding decreases in assessed values and delays in payment or collection of property tax. In particular, the County extended the April 10, 2020 deadline to May 4, 2020, without penalty. Furthermore, on May 6, 2020, the Governor issued Executive Order N-61-20, which suspended the imposition of penalties, costs, and interest on overdue property taxes where the taxes owed were not delinquent prior to the March 4, 2020 declaration of a state of emergency and the taxpayer demonstrates to the tax collector that the taxpayer has suffered economic hardship due to the COVID-19 pandemic.

The Town currently anticipates that aggregate General Fund revenues for Fiscal Year 2019-20 may be approximately 5% lower than the mid-year estimate budget amount of approximately $18.2 million. The Town may also incur additional costs to address the impact of COVID-19. In addition, CalPERS has reportedly lost significant value in its investments as a result of declines in the stock market, which could result in a significant increase in the Town's unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23.

The financial and operating data contained in this Official Statement are the latest available, but are as of dates and for periods prior to the economic impact of the COVID-19 outbreak and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the Town. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. While the overall potential impact of the COVID-19 outbreak on the Town is unknown and cannot be fully quantified at this time, the continued outbreak of COVID-19 could lead to additional or modified public health restrictions and have an adverse effect on the Town's operations and financial condition, and the effect could be material. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current disruption to the national and global economies, will increase at least over the near term, recovery may be prolonged and, therefore, may have an adverse impact on the Town's finances. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the Town's operations and finances.

As of the date of this Official Statement, the Town does not believe that the impacts of the spread of COVID-19 will have a material adverse effect on its ability to make the Lease Payments

when due. However, the Town can provide no assurances that the impacts associated with the COVID-19 outbreak will not have a material adverse effect on its ability to make the Lease Payments when due.

No Pledge of Taxes

General. The obligation of the Town to pay the Lease Payments and Additional Payments does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. The obligation of the Town to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the Town could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, 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.

The Town believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the Town, including its General Fund, could be materially adversely affected.

Although the Town does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution, including any initiative by Town voters thereunder to repeal any of the taxes that provide revenue to the Town's General Fund, on the Town's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIIC and Article XIIID."

Additional Obligations of the Town

The Town is permitted to enter into other obligations that constitute additional charges against its revenues without the consent of Owners of the Certificates. To the extent that additional obligations are incurred by the Town, the funds available to pay Lease Payments may be decreased. The Town does not currently have any other long-term debt obligations payable from its General Fund.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Property) are payable from funds lawfully available to the Town. If the amounts that the Town is obligated to pay in a fiscal year exceed the Town's revenues for such year, the Town may choose to make some payments rather than making other payments, including Lease Payments and Additional Payments, based on the perceived needs of the Town. The same result could occur if, because of California Constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

In addition, the Town may amend the Lease Agreement, without the consent of the Trustee or any of the Certificate Owners, to obligate the Town to pay additional amounts of rental thereunder for the use and occupancy of the Leased Property or any portion thereof, subject to certain conditions precedent described in the Lease Agreement. If the Town obligated itself to pay additional rental payments, such amounts would be payable from the funds lawfully available to the Town, just like the Lease Payments payable to Certificate Owners.

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a governmental entity threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. In such event, the Town is required to apply the Net Proceeds of any eminent domain award to the prepayment of Certificates. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof are taken temporarily, under the power of eminent domain, (i) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (ii) there will be a partial abatement of Lease Payments in an amount to be determined by the Town, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. Notwithstanding the foregoing, the Lease Payments will not be abated under the Lease Agreement to the extent that amounts in the Lease Payment Fund (if any) are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, as such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Abatement

The Lease Agreement provides that the amount of Lease Payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the Town of the Leased Property. The amount of such abatement will be determined by the Town, 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 will 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, the Lease Agreement will continue in full force and effect and the Town, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

There will be no abatement of Lease Payments to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, it being declared in the Lease Agreement that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Although the Town is required under the Lease Agreement to maintain property and liability insurance and rental interruption insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. The Lease Agreement does not require the Town to maintain earthquake insurance on the Leased Property and the Town currently does not maintain earthquake insurance on the Leased Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance.” See also

"THE TOWN AND TOWN FINANCIAL INFORMATION – Insurance Program." In addition, there is no assurance that the Town will receive proceeds of any insurance in time to make Lease Payments when due.

The Town has not funded and will not fund a debt service reserve fund for the Certificates in connection with the execution and delivery of the Certificates.

Limited Recourse on Default; No Acceleration

Whenever any event of default referred to in the Lease Agreement occurs and continues, the Trustee, as the Corporation's assignee, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement. See APPENDIX C for a detailed description of available remedies in the case of a default under the Lease Agreement.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay principal and interest represented by the Certificates. The Lease Agreement permits the Trustee, as the Corporation's assignee, to take possession of and re-let the Leased Property in the event of a default by the Town under the Lease Agreement; however, due to the fact that certain of the Leased Property serves essential governmental purposes, a court may determine to not permit such remedy to be exercised. Even if such remedy may be exercised, no assurance can be given that the Trustee could readily re-let the Leased Property for rents which are sufficient to enable it to pay debt service on the Certificates in full when due.

The Town will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Substitution and Release of Property

The Corporation and the Town may, under the terms of the Lease Agreement, substitute alternate real property for any portion of the Leased Property or release a portion of the Leased Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Leased Property for which the substitution or release has been effected shall be released from the leasehold encumbrance of the Site Lease and the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution of Leased Property" and "– Release of Leased Property."

In addition, the Lease Agreement provides that upon final completion of the Project, the Town shall have the absolute right, and the Town expects, to release from the Lease Agreement, the Site Lease and the Assignment Agreement, the portion of the original Leased Property consisting of Holbrook-Palmer Park without meeting the conditions described in "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – General Release of Leased Property", upon satisfaction certain conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Release of Holbrook-Palmer Park from Leased Property".

Ability to Re-Let

If the Town defaults on its obligations to make Lease Payments, the Trustee may have limited ability to re-let the Leased Property to provide a source of payments sufficient to meet the principal and interest represented by the Certificates and preserve the tax-exempt nature of the interest component of the Lease Payments. The re-letting of the Leased Property is subject to market conditions and applicable Town zoning requirements. In addition, the portion of the Leased Property constituting the Holbrook-Palmer Park is subject to certain restrictions that require that it be used for public recreational purposes and prohibit its use for commercial or housing purposes except where strictly incidental to its use as a public recreation park, such as public use for social gatherings, meetings, weddings, and day-use activities. See "THE LEASED PROPERTY."

Property Taxes

The Town is heavily reliant on property taxes which comprised approximately 70% and 66% of the Town's total General Fund revenues in Fiscal Years 2017-18 and 2018-19, respectively. While property tax revenues have grown in recent years, there is no certainty that growth in the property tax roll will continue at the same rate in the future.

Levy and Collection. The Town does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease, or any substantial delinquencies in the payment of property taxes, could reduce the Town's property tax revenues, and accordingly, could have an adverse impact on the ability of the Town to make Lease Payments when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation in certain years and was negative in one year.

The Town is unable to predict if any adjustments to the full cash value base of real property within the Town, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> *Proposition 8 Appeals*. Most of the appeals that might be filed in the Town would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the Town's property tax revenues.

Natural Calamities

From time to time, the Town is subject to natural calamities that may adversely affect economic activity in the Town, which could have a negative impact on the Town's finances. Additionally, a natural calamity adversely affecting the Leased Property could have a negative impact of the Town's use of such property, which could result in abatement of Lease Payments. See "– Abatement" above.

Seismic. The San Andreas and Hayward faults, among others, are in the vicinity of the Town. The Town cannot predict how much damage may occur within the Town to the Leased Property, specifically, and how much reduction in assessed valuation in the Town may result from an earthquake. Under the Lease Agreement, the Town is not required to obtain earthquake insurance on the Leased Property and does not currently maintain such insurance. There is no guarantee, if the Town chooses to obtain earthquake insurance, that the Town will maintain such insurance on the Leased Property or any other property owned by the Town in the future.

Liquefaction. Loose sand and silt that is saturated with water can behave like a liquid when shaken by an earthquake. This phenomenon is called liquefaction. During an earthquake the soil can lose its ability to support structures, flow down even very gentle slopes, and erupt to the ground surface to form sand boils. Many of these phenomena are accompanied by settlement of the ground surface, usually in uneven patterns that damage buildings, roads and pipelines. A map, produced by Association of Bay Area Governments identifies liquefaction susceptibility hazards in Atherton. In general, the area of Town northeast of a line formed by Euclid Avenue/Monte Vista Avenue/Camino por los Arboles, which includes the Leased Property, is characterized as having a "moderate susceptibility". The narrow band of land adjacent to the

Atherton Channel is characterized has having a “very high susceptibility”. The balance of the Town is characterized as having a “very low to low susceptibility”.

Tsunami. A tsunami is a series of waves generated in a body of water by a rapid disturbance that vertically displaces the water. These changes can be caused by an underwater fault rupture that generates an earthquake, a volcanic eruption, or underwater landslides typically triggered by earthquakes. The California Emergency Management Agency has prepared a series of maps plotting the potential inundation line for a tsunami runup along the San Francisco Bay shoreline. The inundation line represents the maximum considered tsunami runup from a number of extreme, yet realistic, tsunami sources. In the vicinity of the Town, the potential inundation line follows the southwesterly shoreline of the Westpoint Slough and the Ravenswood Slough located in the salt evaporators within the margins of San Francisco Bay. A runup of approximately 4 feet at Ravenswood Point (East Palo Alto) could occur, as estimated by the US Geological Survey. The inundation line runs approximately ½ to 1-mile northeast of the dike protecting the east Menlo Park and Redwood City industrial area. As the inundation line is located approximately 1 to 1 ½ miles northeast of the Atherton City Limit along Bay Road, there appears to be little chance that a tsunami would affect land within the Town. Further since the inundation line is located approximately ½ to 1-mile northeast of US 101 there appears to be little chance that a tsunami would affect that major evacuation route.

Flood. The Town is located in the Federal Emergency Management Agency’s Zone X - Area of Minimal Flood Hazard. The Leased Property is not located within the 100-year flood zone, as determined by the Federal Emergency Management Agency. The Town does not participate in the National Flood Insurance Program.

Dam Failure. The Bear Gulch Reservoir Dam is the only dam in Atherton and is large enough to endanger lives and property in the event of a failure. A seismic event could cause the dam to fail and endanger an estimated population of approximately 1,000 people, according to the Atherton Emergency Operations Plan. The flood plain that would result from catastrophic failure of this dam has been mapped by California Water Service Company (“**Cal Water**”), the owner of the dam; the map is on file with the Office of Emergency Services.

The Atherton neighborhood most seriously threatened by dam failure and wildfire hazard is the Walsh Road neighborhood. This neighborhood has only one primary evacuation route; Walsh Road, which is a narrow, two lane residential street that intersects with Alameda de las Pulgas. Two other evacuation routes have been identified: (i) the main secondary automobile evacuation route is the road at the end of Reservoir Road through the Cal Water property adjacent to Bear Gulch Reservoir connecting to Moore Road. Cal Water must open the gate at the entrance of the road for this to be passable; and (ii) there is a pedestrian only exit using the horse tunnel from Valley Court under highway 280. In the event of a fire or flood, a warning siren has been installed at the Cal Water facility on Reservoir Road. The siren can be activated by the Fire or Police Department to advise residents that an evacuation should take place. The Police Department is working on an upgrade to this warning system including use of upgraded technology.

Neither the Holbrook-Palmer Park nor the Town Center Project are within an inundation zone.

Fire Hazards. 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.

Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. 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 Town of Atherton. The entire Town of Atherton has been identified as a "Community At Risk" by CAL FIRE. The entire Town has also been included in the "Wildland-Urban Interface" ("**WUI**") by CAL FIRE; originally a zone of transition between unoccupied land and human development, WUI zones now include heavily vegetated, low-density suburban areas such as Atherton. These lands and communities are at risk of wildfires.

In the event taxable property within the Town 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 Town.

Recent Droughts. With respect to droughts specifically, the State has faced water shortfalls in recent years. On January 17, 2014, then Governor Brown declared a state of drought emergency, calling on Californians to conserve water, and subsequent conservation orders and regulations were imposed by then Governor Brown and the California State Water Resources Control Board (the "**Water Board**").

With unprecedented water conservation and plentiful rain and snowfall in the State throughout the end of 2016 and the beginning of 2017, Governor Brown issued Executive Order B-40-17 on April 7, 2017 (the "**2017 Executive Order**"), which lifted the January 17, 2014 drought declaration in all Counties except the Counties of Fresno, Kings, Tulare, and Tuolumne, where diminished groundwater supply issues remain. The 2017 Executive Order also directed the Water Board to rescind the water supply stress tests for urban water suppliers, as well any remaining mandatory conservation standards. These rescissions notwithstanding, the 2017 Executive Order instructed the Water Board to maintain urban water use reporting requirements and prohibitions on wasteful water-use practices in order to preserve and promote Statewide water conservation efforts.

Notwithstanding the improved water conditions, the Town cannot predict or make any representations regarding the effects that the recent drought and related conditions had or may have on the value of taxable property within the Town, or to what extent the effects the recent drought may have had on economic activity in the Town.

Sea Level Rise. San Mateo County, including the Town, is vulnerable to the impacts of climate change, particularly to sea-level rise. In 2018, the County released a report, entitled "County of San Mateo Sea Level Rise Vulnerability Assessment," which states that more than

30,000 residential and 3,000 commercial parcels in the County with an assessed aggregate value of $39 billion may be vulnerable to the impacts of sea-level rise in the long-term. The State of California Sea-Level Rise Guidance 2018 Update report is the State of California's most recent document on sea-level rise. For the San Francisco Bay area, the likely range of sea-level rise (with a 66% chance probability) by the year 2100 is between 2.4 and 3.4 feet (depending on emissions rates over that time period). The Town cannot predict the impact that damage resulting from sea-level rise or related coastal erosion and flooding could have on the assessed value of property in the Town or the ability of the Town to make the Lease Payments.

Cyber Security

The Town, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the Town is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the Town's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the Town, or the administration of the Certificates. The Town is also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the County tax collector for the levy and collection of tax revenues and the Trustee. No assurance can be given that the Town and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate Owners.

Limitations on Remedies Available to Certificate Owners

The ability of the Town to comply with its covenants under the Lease Agreement may be adversely affected by actions and events outside of the control of the Town, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Lease Agreement or the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. For a discussion of such remedies, see "– Default" above and APPENDIX C – "Summary of Certain Provisions of Principal Legal Documents."

In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and obligations under the Certificates, the Lease Agreement and the Trust Agreement, may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings as described below, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion

and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Bankruptcy

In addition to the limitations on remedies contained in the Trust Agreement and the Lease Agreement, the rights and remedies in the Lease Agreement may be limited 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 Bankruptcy Code (Title 11, United States Code) (the "**Bankruptcy Code**"), which governs bankruptcy proceedings of public entities such as the Town, no involuntary bankruptcy petition may be filed against a public entity; however, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the Town. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the Town could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement; however, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Trust Agreement. In the event of rejection of a lease by a debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Trust Agreement, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Lease Payments, for the benefit of the Owners of the Certificates, but such security interest arises only when the Lease Payments are actually received by the Trustee following payment by the Town. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the Town and the subsequent rejection of the Lease Agreement by the Town, the Trustee would recover possession of the Leased Property and have a claim for damages against the Town. The Trustee's claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

In a bankruptcy of the Town, if a material unpaid liability is owed to California Public Employees' Retirement System or any other pension system (collectively, the "**Pension Systems**") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the Town's ability to make Lease Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city or county law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a Town bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a Town bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently (or were recently) the subject of litigation in the Chapter 9 cases of several California municipalities, including the cities of Stockton and San Bernardino.

In particular, if the Town were to become a debtor under the Bankruptcy Code, the Town would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Town or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Town, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "**Adjustment Plan**") for the adjustment of the Town's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The Town can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

Hazardous Substances

Discovery of hazardous substances on the land that comprises the Leased Property or on other parcels within the Town could impact the Town's ability to pay debt service with respect to the Certificates.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "**CERCLA**" or the "**Superfund Act**" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance.

The effect, therefore, should any substantial amount of property within the Town be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Reduction in the value of property in the Town as a whole could reduce property tax revenues received by the Town and deposited in the general fund, which could significantly and adversely affect the ability of the Town to make payments on the Certificates. Additionally, if any of the Leased Property is affected by a hazardous substance, the Town would be limited in the beneficial use it could make of such property upon discovery and during remediation thereof.

Litigation

The Town may be or become a party to litigation that has an impact on the Town's general fund. Although the Town maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the Town cannot predict what types of liabilities may arise in the future. See also "LITIGATION."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the Town to make debt service payments on the Certificates may be affected if the Town should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The Town does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Appropriation Limitation – Article XIIIB."

Early Prepayment Risk

Early payment of the Lease Payments and early prepayment of the Certificates may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Leased Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the County exercises it right to prepay the Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement. See "THE CERTIFICATES – Prepayment – Prepayment From Net Proceeds of Insurance or Condemnation."

Impact of State Budget on Town Revenues

At various times, including recently, 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 Town 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 Town, the Town 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.

Although starting with Fiscal Year 2013-14, recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012, statewide election ("**Proposition 30**"), as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

The temporary personal income tax increases of Proposition 30 were scheduled to expire at the end of 2018; however, voters approved Proposition 55 in the November 2016 statewide election, which extended the increases through 2030.

The Town 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 Town has no control. To the extent that the State budget process results in reduced revenues to the Town, the Town will be required to make adjustments to its budget. Decreases in such revenues may have an adverse impact on the Town's ability to pay the Certificates.

Information about the fiscal year 2019-20 adopted State budget and other State budgets is regularly available at various State-maintained websites. 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 Town or the Underwriter, and the Town and Underwriter take 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.*

Investment of Funds

All the funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See Appendix C attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the Town could have a material adverse effect on the security for the Certificates, and/or the financial condition of the Town. See "THE TOWN AND TOWN FINANCIAL INFORMATION – Investment Policies and Procedures" and the audited financial statements of the Town for the year ended June 30, 2019 attached hereto as APPENDIX B – "THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019" for information concerning the Town's investment policy and portfolio of investments as of June 30, 2019.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" below, interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued as a result of future acts or omissions of the Town in violation of its covenants in the Lease Agreement and the Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to a special redemption and will remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

Federal Income Tax Changes

During recent years, legislative proposals have been introduced in the United States Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Certificates. In some cases, these

proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Certificates. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Certificates and their market value.

No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Certificates. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of the portion of lease payments designated as and comprising interest and received by the owners of obligations that are similar to the Certificates. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Certificates.

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for 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, 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 Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

The Internal Revenue Service has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the Internal Revenue Service and that the market value of the Certificates might be affected as a result of such an audit (or by an audit of similar securities).

No Liability to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease Payments by the Town, or with respect to the performance by the Town 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.

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 Installment 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 Lease Agreement is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable with respect to the Certificates.

The opinions set forth in the preceding paragraph are subject to the condition that the Town comply with all requirements of 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, and in order for the Lease Agreement to be a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Tax Code. The Town 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, or may cause the Lease Agreement to not be a "qualified tax-exempt obligation" within the meaning of Section 265(b0(3) of the Tax Code.

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.

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

Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, will render an opinion substantially in the form of Appendix D hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the Town. Certain matters will also be passed upon for the Town by Kronick Moskovitz Tiedemann & Girard, Sacramento, California, as City Attorney. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. *Payment of the fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's counsel is contingent upon execution and delivery of the Certificates*.

CONTINUING DISCLOSURE

The Town has covenanted in its continuing disclosure certificate (the "**Continuing Disclosure Certificate**") for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and other operating data on an annual basis no later than the date that is nine months after the end of the Town's fiscal year (currently April 1 based on the Town's fiscal year end of June 30), commencing on April 1, 2021 (the "**Annual Report**"), and to provide notice of certain enumerated events as required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "**Rule**"). The Annual Report and the notices of enumerated events will be filed by the Town with the Municipal Securities Rulemaking Board through the Electronic Municipal Access System ("**EMMA**"). The form of the Continuing Disclosure Certificate and the specific nature of the information to be contained in the annual report or the notices of enumerated events is set forth under the caption APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with the Rule.

In last five years, the Town has not been subject to any disclosure undertakings under the Rule in connection with the issuance of long-term obligations.

The Town has adopted continuing disclosure policies and procedures to ensure that it will comply with its continuing disclosure undertakings in the future. In addition, the Town has retained Urban Futures, Inc. to serve as dissemination agent of the Town under the Continuing Disclosure Certificate.

Any failure by the Town to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Trust Indenture (although Certificate Owners will have any remedy available at law or in equity as provided in the Continuing Disclosure Certificate). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates.

LITIGATION

There is no litigation pending or, to the Town's knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement or the Trust Agreement, to contest the validity of the Certificates, the Lease Agreement or the Trust Agreement, or any proceeding of the Town with respect thereto. In the opinion of the Town and the City Attorney, there are no lawsuits or claims pending or threatened in writing against the Town which will materially affect the Town's finances so as to impair its ability to pay Lease Payments when due.

UNDERWRITING

The Certificates are being purchased by Stifel, Nicolaus & Company, Inc. (the "**Underwriter**"), at a purchase price of $_____ (which represents the aggregate principal amount of the Certificates, plus an original issue premium of $_____ and less an underwriter's discount of $_____). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

RATING

S&P Global Ratings ("**S&P**") has assigned its municipal bond rating of "___" to the Certificates. Such rating expresses only the views of S&P and is not a recommendation to buy, sell or hold the Certificates. This rating reflects only the views of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it (which may include information and material from the Town which is not included in this Official Statement) and on investigations, studies and assumptions of its own.

There is no assurance that such rating will continue for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Corporation, the Town and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Certificates.

MUNICIPAL ADVISOR

The Town has retained Urban Futures, Inc., Daly City, California, as its Municipal Advisor (the "**Municipal Advisor**") in connection with the authorization and delivery of the Certificates. The payment of the Municipal Advisor's fees for services rendered with respect to the sale of the Certificates is contingent upon the authorization and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Certificates.

During the initial offering period for the Certificates, copies of the Lease Agreement, the Trust Agreement, the Assignment Agreement, and the Site Lease may be obtained, upon written request, from the Town. After delivery of the Certificates copies of such documents may be obtained from the Trustee.

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

TOWN OF ATHERTON

By: _____
Mayor

APPENDIX A

THE TOWN OF ATHERTON AND COUNTY OF SAN MATEO DEMOGRAPHIC INFORMATION

This appendix sets forth general information about the Town of Atherton (the "**Town**"). The following information concerning the Town, the County of San Mateo, and the State of California is included only for general background purposes. The Certificates are an obligation of the Town but are not an obligation of the State, the County or any other governmental agency. It is not intended to suggest that the Certificates are payable from any source other than Lease Payments.

Population

The following table presents population data for the Town and County for the previous 10 Fiscal Years.

POPULATION

Fiscal Year	Town of Atherton Population[(1)]	Percent Change in Population	San Mateo County Population[(1)]
2010	6,914	-.-%	718,451
2011	6,931	0.2	727,319
2012	6,954	0.3	736,760
2013	6,987	0.5	747,186
2014	6,971	(0.2)	753,472
2015	6,977	0.1	760,679
2016	6,990	0.2	766,649
2017	7,023	0.5	769,570
2018	7,042	0.3	772,372
2019	7,070	0.4	774,485

* In thousands.
** Town of Atherton personal income for years 2010-2019 and Town of Atherton per capita income for 2010-2010 are estimates based upon the percent of change in population as provided by the Department of Commerce, Bureau of Economic Analysis.
Source: (1) State of California, Department of Finance.
(2) Bureau of Economic Analysis/State of California Franchise Tax Board.
(3) State of California Employment Development Department.

Employment

The following table summarizes historical employment and unemployment in the County and the State.

COUNTY OF SAN MATEO
Annual Average Employment and Unemployment Rates
Last Ten Fiscal Years

	Average Annual Unemployment Rates	
Fiscal Year	San Mateo County Unemployment Rates	State of California Unemployment Rates
2010	8.4%	12.2%
2011	7.5	11.7
2012	6.4	10.4
2013	5.3	8.9
2014	4.2	7.5
2015	3.4	6.2
2016	3.0	5.5
2017	2.7	4.8
2018	2.2	4.2
2019	2.0	--

Source: State of California Employment Development Department.

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 for the Town, the County, the State and the United States for the period 2016 through 2020:

TOWN OF ATHERTON
Effective Buying Income
2016 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	Town of Atherton	$556,583	$174,661
	San Mateo County	30,989,833	77,717
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Town of Atherton	$597,279	$179,245
	San Mateo County	33,690,067	81,795
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Town of Atherton	$594,968	$189,566
	San Mateo County	35,362,153	87,101
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Town of Atherton	$654,041	$250,512
	San Mateo County	39,578,320	93,319
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Town of Atherton	$638,744	$246,791
	San Mateo County	40,511,605	96,614
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: *The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.*

Commercial Activity

Summaries of the historic taxable sales within the Town and the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar year 2019 are not yet available. Total taxable sales during the first three quarters of calendar year 2019 in the Town were reported to be $17,099,246, a 13.35% increase over the total taxable sales of $15,085,626 reported during the first three quarters of calendar year 2018.

TOWN OF ATHERTON
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	108	$N/A[1]	173	$28,510
2015 [2]	97	6,010	178	15,980
2016	90	8,349	162	21,300
2017	95	10,158	162	18,330
2018	93	10,071	165	18,893

(1) Sales omitted because their publication would result in the disclosure of confidential information.
(2) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Total taxable sales during the first three quarters of calendar year 2019 in the County were reported to be $13,090,885,599, a 3.28% increase over the total taxable sales of $12,674,820,710 reported during the first three quarters of calendar year 2018.

SAN MATEO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	12,673	$10,278,717	19,999	$15,298,434
2015 [1]	8,833	10,301,197	21,825	15,478,010
2016	12,966	10,394,055	21,899	15,658,573
2017	12,744	10,949,848	21,534	16,552,584
2018	12,802	11,674,214	22,554	17,547,097

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the Town and the County.

TOWN OF ATHERTON
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$100,764.5	$97,470.8	$74,704.3	$107,342.5	$95,236.9
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	26,588.2	12,395.1	23,233.5	15,369.3	26,538.1
Total Residential	127,352.7	109,865.9	97,937.80	122,711.8	$121,775.00
New Commercial	12,511.8	10,002.0	9,563.8	12,743.3	6,815.3
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,632.8	10,839.2	23,154.3	6,324.5	12,465.9
Com. Alterations/Additions	1,266.6	454.2	1,493.4	2,035.2	210.7
Total Nonresidential	20,411.2	21,295.4	34,211.5	21,103.0	19,491.9
New Dwelling Units					
Single Family	38	36	25	37	53
Multiple Family	0	0	0	0	0
TOTAL	38	36	25	37	53

Source: Construction Industry Research Board, Building Permit Summary.

SAN MATEO COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$289,903.2	$374,275.5	$367,334.0	$338,186.5	$330,908.0
New Multi-family	168,859.5	259,181.0	252,560.4	210,996.5	195,226.4
Res. Alterations/Additions	348,231.2	408,011.2	395,240.9	503,351.5	424,804.7
Total Residential	806,993.90	1,041,467.7	1,015,135.3	1,052,534.5	950,939.1
New Commercial	413,462.8	328,133.6	716,150.7	1,207,218.1	1,505,602.0
New Industrial	9,600.0	0.0	4,954.8	500.0	0.0
New Other	103,363.4	192,961.9	196,145.2	135,392.7	77,503.7
Com. Alterations/Additions	490,364.6	489,389.7	728,965.3	1,047,885.6	972,646.5
Total Nonresidential	1,016,790.8	1,010,485.2	1,646,216.0	2,390,996.4	2,555,752.2
New Dwelling Units					
Single Family	315	521	458	411	443
Multiple Family	1,302	1,386	1,319	1,169	1,046
TOTAL	1,617	1,907	1,777	1,580	1,489

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

THE TOWN OF ATHERTON CALIFORNIA BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
Town of Atherton
2020 Certificates of Participation
(Town Center Project)
(Bank Qualified)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the TOWN OF ATHERTON (the "Town") in connection with the execution and delivery of the Certificates captioned above (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2020 (the "Trust Agreement"), by and among the Town, the Public Property Financing Corporation of California, a California nonprofit public benefit corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Town covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town 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 Indenture, 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 Town 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 Town's fiscal year (currently April 1 based on the Town's fiscal year end of June 30).

"*Dissemination Agent*" means the Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town 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 Town in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter 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 Town shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2021, with the report for the 2019-20 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 Town shall provide the Annual Report to the Dissemination Agent (if other than the Town). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Town) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Town to determine if the Town 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 Town 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 Town's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The Town 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 Town hereunder.

(b) If the Town does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Town, in a timely manner, shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each 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 Town, file a report with the Town 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 Town's Annual Report shall contain or incorporate by reference the following:

(a) The Town'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 Town'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 Official Statement, and

the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Certificates Outstanding as of the December 31 preceding the Annual Report Date; and

(ii) An update as of June 30 of the most recent fiscal year of the information contained in tables 2, 3 and 5 of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Town 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 Town 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 Town shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Town 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 Town or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Town or an obligated person, or the sale of all or substantially all of the assets of the Town 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the 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 obligated person, any of which reflect financial difficulties.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall, or shall cause the Dissemination Agent (if not the Town) 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 Indenture.

(c) The Town 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 Town 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 Town obtains knowledge of the occurrence of any of these Listed Events, the Town 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 Town 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 Town 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 Town, 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 Town.

(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 Rule 15c2-12.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Town'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 Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The Town 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 Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the Town.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Indenture for amendments to the Trust Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town 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 Town 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 Town 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 Town 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 Town 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 Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town 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 Town 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 Town hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Town, the Certificate holders or any other party. The obligations of the Town 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 Town 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 Town, 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.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2020

TOWN OF ATHERTON

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:
URBAN FUTURES, INC.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Atherton

Name of Issue: $_____ Town of Atherton 2020 Certificates of Participation (Town Center Project)

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the Town has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated _____, 2020. The Town anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

_____

By: _____
Its: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 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 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 Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (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 and www.dtc.org. *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. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

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. Prepayment 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 prepayment 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.

April 30, 2020

Eric McKean
emckean@stifel.com

Wing-See Fox
wingseef@urbanfuturesinc.com

Subject: Town of Atherton, California
2020 Certificates of Participation (the "Loan")

Dear Eric and Wing-See:

This term sheet is presented in response to that certain RFP dated April 13, 2020 ("RFP") that you have presented to Capital One Public Funding, LLC ("COPF"). All terms, provisions and covenants set forth in the RFP are incorporated herein except as described below. We are very interested in working with Town of Atherton, California ("Borrower") and are pleased to present the following summary terms:

Structure	Ground lease/leaseback transaction among Borrower (as ground lessor under the ground lease and lessee under the lease), a third-party nonprofit (as ground lessee and lessor under the lease), and COPF (as assignee).
Estimated Amount	Up to $9,000,000
Use of Proceeds	To finance a portion of the cost to construct and acquire certain of the improvements and facilities that will constitute a portion of the Atherton Town Center
Security Provisions / Repayment Sources	Standard California abatement lease on Holbrook-Palmer Park and the Atherton Town Center.
Fixed Interest Rate	2.20%
Payment Assumptions	Semi-annual interest and annual principal; approximate average life of 5.8 years; final maturity 06/01/30. The Loan will be payable in installments on the dates and in the amounts set forth on the payment schedule identifying payment dates, principal, interest and total payment due, which shall be attached to the bond.
Call Provisions	Callable in whole at par beginning 06/01/25.
Tax Status	Tax-exempt
Escrow	The proceeds of the Loan shall be held in an escrow account acceptable to COPF. All fees related to the escrow account will be paid by COPF. All interest earnings on the funds held in the escrow account shall accrue to the benefit of the Borrower.
Real Estate Requirements	COPF shall require: • standard representations from the Borrower regarding the absence of any adverse environmental conditions; and • a title search indicating that free and clear title to the ground-leased property rests with the Borrower. COPF shall not require an appraisal, Phase I, or survey. Title insurance (including a survey) shall only be required in the event of a title deficiency.

Interest Rate Assumptions
The above-quoted interest rate is based upon the assumptions set forth above regarding average life and final maturity. Any changes from the assumptions may require an adjustment to the quoted rate. The rate may also be subject to change if the contemplated Loan is not closed by June 11, 2020.

Documentation
Loan documentation shall be prepared by qualified bond counsel subject to review by COPF and its counsel. Borrower shall provide, at its expense, an opinion of legal counsel (acceptable to COPF) attesting to the legal, valid, and binding nature of the transaction and the tax-exempt nature of the interest component of the Loan payments. Upon selection of COPF, the Borrower shall provide draft authorizing documents for COPF's review and comment.

Costs of Issuance
The Borrower shall be responsible for normal borrower costs of issuance including a financial advisor, placement agent, bond counsel, and CDIAC fees. No fees will be due to COPF, which shall be responsible for the costs of its own legal review.

Direct Purchase
The Loan shall be directly funded/purchased by (and registered in the name of) COPF as assignee and delivered in physical, non-book-entry, certificated form. The Loan shall not be (i) assigned a separate rating by any rating agency; (ii) registered with the Depository Trust Company or any other securities depository; (iii) issued pursuant to any type of official statement, private placement memorandum or other offering document; or (iv) assigned a CUSIP number.

Audited Financial Statements
Upon request, as soon as available, the Borrower shall send COPF a copy of its audited financial statements as of the end of the fiscal year.

Municipal Advisor Rules
As noted, this term sheet is submitted in response to your Request for Proposals dated April 13, 2020. The contents of this term sheet and any subsequent discussions between us, including any and all information, recommendations, opinions, indicative pricing, quotations and analysis with respect to the Loan, are provided to you in reliance upon the exemption provided for responses to requests for proposals or qualifications under the municipal advisor rules of the Securities and Exchange Commission (Rule 15Ba1-1 et seq.).

Role of Capital One Public Funding, LLC
The Borrower acknowledges and agrees that: (i) the information contained in this term sheet is for discussion purposes only and sets forth certain proposed terms and conditions of an arm's-length commercial transaction between the Borrower and COPF and does not constitute advice, an opinion or a recommendation by COPF; (ii) the Borrower will make its own determination regarding whether to enter into the proposed transaction and the terms thereof, and will consult with and rely on the advice of its own financial, accounting, tax, legal and other advisors; (iii) COPF is acting solely for its own account in connection with the proposed transaction, and is not acting as a municipal advisor, financial advisor, agent or fiduciary to the Borrower or any other person or entity (including to any financial advisor or placement agent engaged by the Borrower) and the Borrower, its financial advisor and placement agent are free to retain the services of such advisors (including as it relates to structure, timing, terms and similar matters and compliance with legal requirements applicable to such parties) as it deems necessary or appropriate; (iv) COPF has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto; (v) neither COPF nor any of its affiliates is acting as a broker, dealer, underwriter or placement agent with respect the transactions contemplated hereby; (vi) the only obligations

COPF has to the Borrower with respect to the transaction contemplated hereby expressly are set forth in this term sheet; and (vii) COPF is not recommending that the Borrower take an action with respect to the transaction contemplated by this term sheet. Before taking any action with respect to the Loan, the Borrower should discuss the information contained herein with the Borrower's own legal, accounting, tax, financial and other advisors, as it deems appropriate. If the Borrower would like a municipal advisor in this transaction that has legal fiduciary duties to it, Borrower is free to engage a municipal advisor to serve in that capacity.

Other Information

To the extent that updated financial and other credit materials have not already been provided to COPF or are not available through public resources, COPF may require and request the following: audited and unaudited financial statements; budgets; information on outstanding bond issues, lease transactions, and contingent/material liabilities; tax base details; and other reasonable and customary information relevant to the Borrower's credit quality and the source of repayment.

Confidentiality

The information contained herein is strictly confidential and is intended for review by the parties, their advisors and legal counsel only and may not be disclosed to any other person or entity, except as required by law or otherwise consented to by COPF.

Closing

Closing is anticipated to take place on June 11, 2020. This Term Sheet does not represent a commitment. The funding of the Loan will only occur upon the approval and acceptance of the Loan documents by COPF, the Borrower, and their respective counsels.

Term Sheet Expiration

This term sheet shall expire if not accepted by the Borrower by May 7, 2020. Once accepted, this term sheet shall expire if the transaction has not closed by June 11, 2020, unless extended by COPF at its sole discretion.

Subject to Final Credit Approval

Specifically, but without limitation, this term sheet has not yet received all necessary internal and committee approvals of COPF. Any obligation of COPF to provide financing or otherwise shall arise only upon the execution of final Loan documents signed by authorized signatories of COPF and not from statements (oral or written) made during the course of discussions among the parties (whether or not prior to or after the date hereof).

Should the above-stated terms be acceptable to you, a formal decision through COPF's internal credit process will be pursued as quickly as possible.

Thank you for the opportunity to offer this term sheet. Should you have any questions, please do not hesitate to contact me at 505-503-7629 or jeffrey.sharp@capitalone.com.

Sincerely,

Jeffrey D. Sharp

Jeffrey D. Sharp
Senior Vice President / Director of Business Development
Capital One Public Funding, LLC

cc: Jonathan Lewis, Capital One Public Funding, LLC
Brenda Barnes, Capital One Public Funding, LLC

ACCEPTED BY: Town of Atherton, California (Subject to Town Council Approval)

_____
By

_____
Name

_____
Title