

Council Meeting of
December 12, 2006

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Subject: Finance - Conduit Financing for Exxon Capital Ventures, Inc., a wholly-owned subsidiary of Exxon Mobil Corporation (the "Borrower")

Expenditure: None

RECOMMENDATION

The Finance Director recommends that the City Council:

- 1) Adopt a **RESOLUTION** approving the tax-exempt financing and the issuance of the revenue bonds by the California Municipal Finance Authority (CMFA) for the Borrower, solely for the purposes of satisfying the requirements of the Title 1, Division 7, Chapter 5 of the California Government Code, as amended and supplemented (the "Joint Exercise of Powers Act"); and
- 2) Adopt a **RESOLUTION** approving, authorizing, and directing the execution of a joint exercise of powers agreement relating to the California Municipal Finance Authority.

Funding

No funding is required.

BACKGROUND/ANALYSIS

In 1996, Exxon Mobil Corporation qualified for tax exempt financing for pollution control equipment and improvements for its refinery facility located at 3700 West 190th Street, Torrance, California. Exxon-Mobil is now seeking to refinance up to \$32,505,000 of tax-exempt bonds at a more favorable interest rate.

The original "conduit" issuer, the California Pollution Control Financing Authority, has referred Exxon-Mobil to the California Municipal Finance Authority (CMFA) to act as "conduit" issuer. Staff explored using the City of Torrance as the "conduit" issuer and determined that option was not viable.

The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California.

The CMFA was created pursuant to the Agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 25 municipalities have become members of

the CMFA including the cities of Oakland, Santa Clarita, Industry, Santa Barbara, Vallejo, , El Segundo, Redding and Milpitas and the Counties of San Francisco, San Diego, Alameda, Santa Cruz, Marin and Imperial. A complete list of members has been attached (attachment C).

In order for the CMFA to have jurisdiction to issue the bonds for this project, it is necessary for the City to become a member of the CMFA. Attached to this report is a copy of the agreement that the City will need to execute in order for the CMFA to have the power to issue the bonds.

The agreement explicitly provides that the CMFA is a public entity, separate and apart from the members executing the agreement, and the debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing the agreement (attachment D).

The bonds to be issued for this project will be the sole responsibility of the Borrower, and the City will have no contractual, financial, legal or moral obligation or liability for the repayment of these bonds. All bond documents will contain clear disclaimers that the bonds are not obligations of the City or the CMFA but are paid only from funds provided by the Borrower.

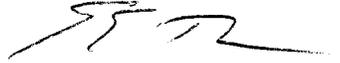
There are no costs associated with membership in the CMFA and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Once the City adopts the required resolution and signs the agreement, no other participation of the City in the actions of the CMFA or in the bond financing will be required.

The agreement expressly provides that any member may withdraw from the agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond transaction, the City, if it executes the agreement, could, at any time following the issuance of the bonds, withdraw from the CMFA by merely providing notice to the Board of Directors of the CMFA of its withdrawal from the agreement. In addition, as an additional precaution, Exxon-Mobil Corporation has agreed to indemnify and hold the City harmless against any claim or loss which may arise as a result of the approval of the Agreement.

The CMFA shares a portion of its issuance fees with its member communities and donates a portion of issuance fees to the Foundation for the support of local charities. With respect to the City of Torrance (the "City"), it is expected that 25% of the issuance fee attributable to the Borrower's project, approximately \$15,000, will be contributed by the CMFA to reimburse the general fund of the City for cost and staff time incurred. A similar amount will

be donated by the CMFA to a non-profit organization in the City. Since the distribution of funds would not occur until the bonds are issued early next year, the designation of the non-profit could be done at a later date.

Respectfully submitted,



Eric E. Tsao
Finance Director

CONCUR:



LeRoy J. Jackson
City Manager

Attachments:

- A. Resolution approving the execution of an indemnification agreement
- B. Resolution authorizing a Joint Powers Agreement
- C. List of California Municipal Finance Authority Members
- D. Joint Powers Agreement
- E. Indemnification Agreement

ATTACHMENT A

RESOLUTION NO. 2006 -

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE
APPROVING THE ISSUANCE BY CALIFORNIA ENTERPRISE DEVELOPMENT
AUTHORITY OF NOT TO EXCEED \$32,505,000 AGGREGATE PRINCIPAL AMOUNT OF
THE AUTHORITY'S REFUNDING REVENUE BONDS FOR THE BENEFIT OF EXXON
CAPITAL VENTURES, INC. FOR THE PURPOSE OF REFINANCING THE COST OF THE
ACQUISITION OF CERTAIN PROPERTY, APPROVING THE EXECUTION OF AN
INDEMNIFICATION AGREEMENT AND OTHER MATTERS RELATING THERETO
HEREIN SPECIFIED**

WHEREAS, Exxon Capital Ventures, Inc. (the "Corporation"), a wholly-owned subsidiary of Exxon Mobil Corporation, has requested that California Enterprise Development Authority (the "Authority") issue its refunding revenue bonds in an aggregate principal amount not to exceed \$32,505,000 (the "Bonds") for the benefit of the Corporation pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State (commencing with Section 6500) (the "Act"); and

WHEREAS, the proceeds of the Bonds will be loaned by the Authority to the Corporation and used by the Corporation to refund certain outstanding bonds of the California Pollution Control Financing Authority and thereby refinance the cost of certain pollution control equipment and improvements for Exxon Mobil Corporation's refinery facility located at 3700 West 190th Street, Torrance, California (the "Facilities"); and

WHEREAS, the Facilities are located within the territorial limits of the City of Torrance (the "City") and the City Council of the City (the "City Council") is the elected legislative body of the City; and

WHEREAS, the issuance of the Bonds by the Authority must be approved by the City pursuant to the Act; and

WHEREAS, the Authority and the Corporation have requested that the City Council approve the issuance of the Bonds by the Authority pursuant to the Act; and

WHEREAS, Exxon Mobil Corporation has agreed to enter into an Indemnification Agreement with the City (the "Indemnification Agreement") to ensure that the City is held harmless in connection with the approval of the Bonds and to implement the intent of this Resolution.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the City Council of the City of Torrance as follows:

Section 1. The City Council hereby approves the issuance of the Bonds, which Bonds may be tax-exempt or taxable as approved by the Authority in its resolution, in an amount not to exceed \$32,505,000 to refinance the cost of the Facilities. This resolution shall constitute the approval of the issuance of the Bonds within the meaning of the Act.

Section 2. The proposed form of Indemnification Agreement on file with the City Clerk is hereby approved, and the Mayor or the City Manager or any designee thereof, acting on behalf of the City (each an "Authorized Signatory") are, and each of them acting alone is, hereby authorized and directed to execute and deliver the Indemnification Agreement in substantially the form presented to and considered at this meeting with such changes as such Authorized Signatory executing the same shall deem appropriate and in the best interests of the City, as conclusively evidenced by the execution and delivery thereof.

Section 3. All actions heretofore taken by the officers, employees and agents of the City with respect to the approval of the Bonds are hereby approved, confirmed and ratified, and the officers and employees of the City and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution.

Section 4. This Resolution shall take effect from and after its adoption.

Introduced, approved and adopted this 12th day of December, 2006.

Mayor Frank Scotto

APPROVED AS TO FORM:
JOHN L. FELLOWS III, City Attorney

ATTEST:

By _____
Ronald T. Pohl, Assistant City Attorney

Sue Herbers, City Clerk

CERTIFICATE OF THE CITY CLERK OF THE CITY OF TORRANCE

I, Sue Herbers, City Clerk of the City of Torrance, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at the meeting of the City Council of the City of Torrance duly and regularly held in Torrance, California, on December __, 2006, of which meeting all of the members of said Board had due notice.

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, rescinded or revoked in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the City of Torrance hereto this day of December __, 2006.

City Clerk of the City of Torrance

By _____
Sue Herbers, City Clerk

RESOLUTION NO. 2006 -

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE
APPROVING, AUTHORIZING, AND DIRECTING EXECUTION OF A
JOINT EXERCISE OF POWERS AGREEMENT
RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY**

WHEREAS, the City of Torrance, California (the "City"), has expressed an interest in participating in the economic development financing programs (the "Programs") in conjunction with the parties to that certain Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated January 1, 2004 (the "Agreement"); and

WHEREAS, there is now before this City Council the form of the Agreement; and

WHEREAS, the City proposes to participate in the Programs and desires that certain projects to be located within the City, be financed pursuant to the Programs and it is in the public interest and for the public benefit that the City do so; and

WHEREAS, the Agreement has been filed with the City, and the members of the City Council of the City, with the assistance of its staff, have reviewed said document;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TORRANCE AS FOLLOWS;

Section 1. The Agreement is hereby approved and the Mayor or the City Manager or designee thereof is hereby authorized and directed to execute said document, with such changes, insertions and omissions as may be approved by said Mayor or City Manager, and the City Clerk or such Clerk's designee is hereby authorized and directed to affix the City's seal to said document and to attest thereto.

Section 2. The Mayor, the City Manager, the City Clerk and all other proper officers and officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.

Section 3. The City Clerk of the City shall forward a certified copy of this Resolution and an originally executed Agreement to:

Harriet M. Welch, Esq.
Squire, Sanders & Dempsey LLP.
555 South Flower St, Suite 3100
Los Angeles, CA 90071

Section 4. This resolution shall take effect immediately upon its passage.

Introduced, approved and adopted this 12th day of December, 2006.

Mayor Frank Scotto

APPROVED AS TO FORM:

JOHN L. FELLOWS III, City Attorney

ATTEST:

By _____
Ronald T. Pohl, Assistant City Attorney

Sue Herbers, City Clerk

ATTACHMENT C

California Municipal Finance Authority Members**Cities**

City of Calexico
City of Calipatria
City of Carlsbad
City of Daly City
City of El Segundo
City of Industry
City of Milpitas
City of Oakland
City of Petaluma
City of Red Bluff
City of Redding
City of San Francisco
City of San Jacinto
City of Santa Barbara
City of Santa Clarita
City of Saratoga
City of Vallejo
City of Wasco
City of Winters

Counties

Alameda County
Imperial County
Marin County
San Diego County
San Francisco County
Santa Cruz County

Special Districts

Washington Township Healthcare

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into this ____ day of November, 2006, by and between **EXXON MOBIL CORPORATION**, a corporation organized and existing under the laws of the State of New Jersey (the "Corporation"), and the **CITY OF TORRANCE**, a political subdivision of the State of California (the "City").

Recitals.

A. The California Municipal Finance Authority ("Authority") was established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, as amended and supplemented (the "Joint Exercise of Powers Act"), and the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement") entered into by various public agencies in the State of California.

B. The Corporation has requested that the Authority issue one or more series of bonds (the "Bonds") for the purpose of refinancing the outstanding California Pollution Control Financing Authority Exempt Facilities Revenue Bonds (Mobil Oil Corporation Project), Series 1996 (the "Prior Bonds");

C. The proceeds of the Prior Bonds were used to finance certain pollution control improvements and equipment at the Corporation's facilities located at 3700 West 190th Street, Torrance, California (the "Project") for the benefit of the Corporation.

D. In connection with the refinancing of the Project with the proceeds of the Bonds, the Authority, Exxon Capital Ventures, Inc. (the "Company") and the Corporation will enter into a loan agreement pursuant to which the Company will make loan payments to the Authority.

E. Pursuant to a trust indenture to be entered into by the Authority and a third party trustee (the "Trustee"), the Authority will assign its right to receive the loan payments from the Corporation to the Trustee and issue the Bonds in a total aggregate principal amount not to exceed \$32,505,000.

F. Because the Project is located within the territorial limits of the City, the Authority may not issue the Bonds to refinance the Project unless the City becomes a member of the Authority.

G. The Authority and the Corporation have requested that the City become a member of the Authority and approve the financing of the Project and the issuance of the Bonds in order to satisfy the requirements of the Act (collectively, the "Approval").

H. As a condition to granting the Approval, the City has requested that the Corporation indemnify and hold the City harmless against any claim or loss which may arise as a result of the Approval.

NOW THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

INDEMNIFICATION

Section 1.01. Indemnification of the City. The Corporation agrees and covenants to indemnify and hold harmless the City and its officers, agents, employees, advisors and attorneys against any and all judgments, losses, claims, damages, liabilities and expenses arising out of, or in connection with, the Approval.

Section 1.02. Assertion of Claims. In case any claim shall be made or action brought against the City based upon the Approval for which indemnity may be sought against the Corporation, as provided above, the City shall promptly notify the Corporation in writing setting forth the particulars of such claim or action and the Corporation shall assume the defense thereof, including the retaining of counsel acceptable to the City and the payment of all expenses. The City shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless the Corporation shall have specifically authorized the retaining of such counsel.

ARTICLE II

MISCELLANEOUS

Section 2.01. Authority. Each of the parties hereto represents and warrants to the other party that the individual executing this Agreement on behalf of such party has been duly authorized to execute and deliver this Agreement on behalf of such party.

Section 2.02. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given (a) when personally delivered, if personally delivered; (b) three (3) business days after deposit into the U.S. mail, when sent by certified mail, return receipt requested, postage prepaid; (c) upon confirmation of transmission, when sent by facsimile transmission; or (d) one (1) business day after deposit, if deposited with a reputable overnight courier, addressed as follows:

If to the Corporation:

Exxon Mobil Corporation
5959 Las Colinas Boulevard
Irving, Texas 75039-2298
Attention: Manager, Capital Markets and Planning

If to the City:

City of Torrance
 3031 Torrance Boulevard
 Torrance, California 90503
 Attention: City Manager

or to such other address or facsimile number as any of the above may have furnished to the other party in writing as provided above.

Section 2.03. Waiver and Amendment. No provisions of this Agreement shall be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by all of the parties hereto. Waiver of any matter shall not be deemed a waiver of the same or any other matter on any future occasion.

Section 2.04. Captions. Captions are used throughout this Agreement for convenience of reference only and shall not be considered in any manner in the construction or interpretation hereof.

Section 2.05. Severability. The provisions of this Agreement shall be deemed severable. If any part of this Agreement shall be held unenforceable, the remainder shall remain in full force and effect, and such unenforceable provision shall be reformed so as to give maximum legal effect to the intention of the parties as expressed herein.

Section 2.06. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

Section 2.07. Time is of the Essence. Time is of the essence with respect to each provision of this Agreement; *provided, however*, that with respect to any determination to be made or action to be taken on a date specified in this Agreement, if such date shall fall upon a Saturday, Sunday or holiday observed by federal banks in the State of California, the date for such determination or action shall be extended to the first business day immediately thereafter.

Section 2.08. Assignment; Binding Effect. Neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by any party without the prior written consent of the other party hereto. Such consent shall not be unreasonably withheld. Any such attempted assignment without such prior written consent shall be void and of no force and effect. Notwithstanding the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 2.09. Applicable Law. This Agreement is made pursuant to and shall be governed by and construed in accordance with the laws of the State of California.

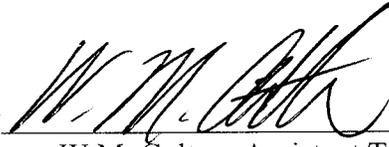
Section 2.10. Prevailing Party. In the event of any arbitration or litigation arising out of this Agreement, the arbitrator or court shall award to the prevailing party all reasonable costs and expenses, including without limitation, reasonable attorneys' fees.

Section 2.11. Facsimile Transmission; Counterparts. Signatures on this Agreement may be communicated by facsimile transmission and shall be binding upon the parties transmitting the same by facsimile transmission. Counterparts with original signatures shall be provided to the other parties within three (3) days of the applicable transmission; provided, however, that the failure to provide the original counterpart shall have no effect on the validity or the binding nature of this Agreement. If executed in counterparts, the Agreement shall be effective as if simultaneously executed.

[Remainder of page intentionally left blank]

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

EXXON MOBIL CORPORATION

By  _____
W.M. Colton, Assistant Treasurer 1st

CITY OF TORRANCE

By _____
Leroy J. Jackson, City Manager

Approved as to Form

JOHN FELLOWS,
City Attorney

By _____

**JOINT EXERCISE OF POWERS AGREEMENT
RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY**

THIS AGREEMENT, dated as of January 1, 2004, among the parties executing this Agreement (all such parties, except those which have withdrawn as provided herein, are referred to as the "Members" and those parties initially executing this Agreement are referred to as the "Initial Members"):

WITNESSETH

WHEREAS, pursuant to Title 1, Division 7, Chapter 5 of the California Government Code (in effect as of the date hereof and as the same may from time to time be amended or supplemented, the "Joint Exercise of Powers Act"), two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each of the Members is a "public agency" as that term is defined in Section 6500 of the Joint Exercise of Powers Act; and

WHEREAS, each of the Members is empowered by law to promote economic, cultural and community development, including, without limitation, the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, the increase of the tax base, and the promotion of opportunities for education, cultural improvement and public health, safety and general welfare; and

WHEREAS, each of the Members may accomplish the purposes and objectives described in the preceding preamble by various means, including through making grants, loans or providing other financial assistance to governmental and nonprofit organizations; and

WHEREAS, each Member is also empowered by law to acquire and dispose of real property for a public purpose; and

WHEREAS, the Joint Exercise of Powers Act authorizes the Members to create a joint exercise of powers entity with the authority to exercise any powers common to the Members, as specified in this Agreement and to exercise the additional powers granted to it in the Joint Exercise of Powers Act and any other applicable provisions of the laws of the State of California; and

WHEREAS, a public entity established pursuant to the Joint Exercise of Powers Act is empowered to issue or execute bonds, notes, commercial paper or any other evidences of indebtedness, including leases or installment sale agreements or certificates of participation therein (herein "Bonds"), and to otherwise undertake financing programs under the Joint Exercise of Powers Act or other applicable provisions of the laws of the State of California to accomplish its public purposes; and

WHEREAS, the Members have determined to specifically authorize a public entity authorized pursuant to the Joint Exercise of Powers Act to issue Bonds pursuant to the Joint Exercise of Powers Act or other applicable provisions of the laws of the State of California; and

WHEREAS, it is the desire of the Members to use a public entity established pursuant to the Joint Exercise of Powers Act to undertake the financing and/or refinancing of projects of any nature, including, but not limited to, capital or working capital projects, insurance, liability or retirement programs or facilitating Members use of existing or new financial instruments and mechanisms; and

WHEREAS, it is further the intention of the Members that the projects undertaken will result in significant public benefits to the inhabitants of the jurisdictions of the Members; and

WHEREAS, by this Agreement, each Member desires to create and establish the “California Municipal Finance Authority” for the purposes set forth herein and to exercise the powers provided herein;

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do agree as follows:

Section 1. Purpose.

This Agreement is made pursuant to the provisions of the Joint Exercise of Powers Act. The purpose of this Agreement is to establish a public entity for the joint exercise of powers common to the Members and for the exercise of additional powers given to a joint powers entity under the Joint Powers Act or any other applicable law, including, but not limited to, the issuance of Bonds for any purpose or activity permitted under the Joint Exercise of Powers Act or any other applicable law. Such purpose will be accomplished and said power exercised in the manner hereinafter set forth.

Section 2. Term.

This Agreement shall become effective in accordance with Section 17 as of the date hereof and shall continue in full force and effect until such time as it is terminated in writing by all the Members; provided, however, that this Agreement shall not terminate or be terminated until all Bonds issued or caused to be issued by the Authority (defined below) shall no longer be outstanding under the terms of the indenture, trust agreement or other instrument pursuant to which such Bonds are issued, or unless a successor to the Authority assumes all of the Authority’s debts, liabilities and obligations.

Section 3. Authority.

A. CREATION AND POWERS OF AUTHORITY.

Pursuant to the Joint Exercise of Powers Act, there is hereby created a public entity to be known as the “California Municipal Finance Authority” (the “Authority”), and said Authority shall be a public entity separate and apart from the Members. Its

debts, liabilities and obligations do not constitute debts, liabilities or obligations of any Members.

B. BOARD.

The Authority shall be administered by the Board of Directors (the “Board,” or the “Directors” and each a “Director”) of the California Foundation for Stronger Communities, a nonprofit public benefit corporation organized under the laws of the State of California (the “Foundation”), with each such Director serving in his or her individual capacity as a Director of the Board of the Authority. The Board shall be the administering agency of this Agreement and, as such, shall be vested with the powers set forth herein, and shall administer this Agreement in accordance with the purposes and functions provided herein. The number of Directors, the appointment of Directors, alternates and successors, their respective terms of office, and all other provisions relating to the qualification and office of the Directors shall be as provided in the Articles and Bylaws of the Foundation, or by resolution of the Board adopted in accordance with the Bylaws of the Foundation.

All references in this Agreement to any Director shall be deemed to refer to and include the applicable alternate Director, if any, when so acting in place of a regularly appointed Director.

Directors may receive reasonable compensation for serving as such, and shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a Director, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

The Foundation may be removed as administering agent hereunder and replaced at any time by amendment of this Agreement approved as provided in Section 16; provided that a successor administering agent of this Agreement has been appointed and accepted its duties and responsibilities under this Agreement.

C. OFFICERS; DUTIES; OFFICIAL BONDS.

The officers of the Authority shall be the Chair, Vice-Chair, Secretary and Treasurer (defined below). The Board, in its capacity as administering agent of this Agreement, shall elect a Chair, a Vice-Chair, and a Secretary of the Authority from among Directors to serve until such officer is re-elected or a successor to such office is elected by the Board. The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor, and controller of the Authority (the “Treasurer”) pursuant to Section 6505.6 of the Joint Exercise of Powers Act to serve until such officer is re-elected or a successor to such office is elected by the Board.

Subject to the applicable provisions of any resolution, indenture, trust agreement or other instrument or proceeding authorizing or securing Bonds (each such resolution, indenture, trust agreement, instrument and proceeding being herein referred to as an “Indenture”) providing for a trustee or other fiscal agent, and except as may otherwise be

specified by resolution of the Board, the Treasurer is designated as the depository of the Authority to have custody of all money of the Authority, from whatever source derived and shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Joint Exercise of Powers Act.

The Treasurer of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall file an official bond with the Secretary of the Authority in the amount specified by resolution of the Board but in no event less than \$1,000.

The Board shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

The Board shall have the power, by resolution, to the extent permitted by the Joint Exercise of Power Act or any other applicable law, to delegate any of its functions to one or more of the Directors or officers, employees or agents of the Authority and to cause any of said Directors, officers, employees or agents to take any actions and execute any documents or instruments for and in the name and on behalf of the Board or the Authority.

D. MEETINGS OF THE BOARD.

(1) Ralph M. Brown Act.

All meetings of the Board, including, without limitation, regular, adjourned regular, special, and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California), or any successor legislation hereinafter enacted (the "Brown Act").

(2) Regular Meetings.

The Board shall provide for its regular meetings; provided, however, it shall hold at least one regular meeting each year. The date, hour and place of the holding of the regular meetings shall be fixed by resolution of the Board. To the extent permitted by the Brown Act, such meetings may be held by telephone conference.

(3) Special Meetings.

Special meetings of the Board may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California. To the extent permitted by the Brown Act, such meetings may be held by telephone conference.

(4) Minutes.

The Secretary of the Authority shall cause to be kept minutes of the regular, adjourned regular, special, and adjourned special meetings of the Board and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director.

(5) Quorum.

A majority of the Board shall constitute a quorum for the transaction of business. No action may be taken by the Board except upon the affirmative vote of a majority of the Directors constituting a quorum, except that less than a quorum may adjourn a meeting to another time and place.

E. RULES AND REGULATIONS.

The Authority may adopt, from time to time, by resolution of the Board such rules and regulations for the conduct of its meetings and affairs as may be required.

Section 4. Powers.

The Authority shall have the power, in its own name, to exercise the common powers of the Members and to exercise all additional powers given to a joint powers entity under any of the laws of the State of California, including, but not limited to, the Joint Exercise of Powers Act, for any purpose authorized under this Agreement. Such powers shall include the common powers specified in this Agreement and may be exercised in the manner and according to the method provided in this Agreement. The Authority is hereby authorized to do all acts necessary for the exercise of such power, including, but not limited to, any of all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located; to incur debts, liabilities or obligations; to receive gifts, contributions and donations of property, funds, services, and other forms of assistance from person, firms, corporations and any governmental entity; to sue and be sued in its own name; to make grants, loans or provide other financial assistance to governmental and nonprofit organizations (e.g., the Members or the Foundation) to accomplish any of its purposes; and generally to do any and all things necessary or convenient to accomplish its purposes.

Without limiting the generality of the foregoing, the Authority may issue or cause to be issued Bonds, and pledge any property or revenues as security to the extent permitted under the Joint Exercise of Powers Act, or any other applicable provision of law; provided, however, the Authority shall not issue Bonds with respect to any project located in the jurisdiction of one or more Members unless the governing body of any such Member, or its duly authorized representative, shall approve, conditionally or unconditionally, the project, including the issuance of Bonds therefor. Such approval may be evidenced by resolution, certificate, order, report or such other means of written approval of such project as may be selected by the Member (or its authorized representative) whose approval is required. No such approval shall be required in

connection with Bonds that refund Bonds previously issued by the Authority and approved by the governing board of a Member.

The manner in which the Authority shall exercise its powers and perform its duties is and shall be subject to the restrictions upon the manner in which a California general law city could exercise such powers and perform such duties. The manner in which the Authority shall exercise its powers and perform its duties shall not be subject to any restrictions applicable to the manner in which any other public agency could exercise such powers or perform such duties, whether such agency is a party to this Agreement or not.

Section 5. Fiscal Year.

For the purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year as established from time to time by resolution of the Board, being, at the date of this Agreement, the period from July 1 to and including the following June 30, except for the first Fiscal Year which shall be the period from the date of this Agreement to June 30, 2004.

Section 6. Disposition of Assets.

At the end of the term hereof or upon the earlier termination of this Agreement as set forth in Section 2, after payment of all expenses and liabilities of the Authority, all property of the Authority both real and personal shall automatically vest in the Members in the manner and amount determined by the Board in its sole discretion and shall thereafter remain the sole property of the Members; provided, however, that any surplus money on hand shall be returned in proportion to the contributions made by the Members.

Section 7. Bonds.

From time to time the Authority shall issue Bonds, in one or more series, for the purpose of exercising its powers and raising the funds necessary to carry out its purposes under this Agreement.

The services of bond counsel, financing consultants and other consultants and advisors working on the projects and/or their financing shall be used by the Authority. The expenses of the Board shall be paid from the proceeds of the Bonds or any other unencumbered funds of the Authority available for such purpose.

Section 8. Bonds Only Limited and Special Obligations of Authority.

The Bonds, together with the interest and premium, if any, thereon, shall not be deemed to constitute a debt of any Member or pledge of the faith and credit of the Members or the Authority. The Bonds shall be only special obligations of the Authority, and the Authority shall under no circumstances be obligated to pay the Bonds except from revenues and other funds pledged therefor. Neither the Members nor the Authority shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Members nor the faith and credit of the Authority shall be pledged to the payment of the

principal of, premium, if any, or interest on the Bonds nor shall the Members or the Authority in any manner be obligated to make any appropriation for such payment.

No covenant or agreement contained in any Bond or related document shall be deemed to be a covenant or agreement of any Director, or any officer, employee or agent of the Authority in his or her individual capacity and neither the Board of the Authority nor any Director or officer thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.

Section 9. Accounts and Reports.

All funds of the Authority shall be strictly accounted for. The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any Indenture (to the extent such duties are not assigned to a trustee of Bonds). The books and records of the Authority shall be open to inspection at all reasonable times by each Member.

The Treasurer of the Authority shall cause an independent audit to be made of the books of accounts and financial records of the Authority by a certified public accountant or public accountant in compliance with the provisions of Section 6505 of the Joint Exercise of Powers Act. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as a public record with each Member and also with the county auditor of each county in which a Member is located; provided, however, that to the extent permitted by law, the Authority may, instead of filing such report with each Member and such county auditor, elect to post such report as a public record electronically on a website designated by the Authority. Such report if made shall be filed within 12 months of the end of the Fiscal Year or Years under examination.

The Treasurer is hereby directed to report in writing on the first day of July, October, January, and April of each year to the Board and the Members which report shall describe the amount of money held by the Treasurer for the Authority, the amount of receipts since the last such report, and the amount paid out since the last such report (which may exclude amounts held by a trustee or other fiduciary in connection with any Bonds to the extent that such trustee or other fiduciary provided regular reports covering such amounts.)

Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants in making an audit pursuant to this Section, shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for that purpose.

In any Fiscal Year the Board may, by resolution adopted by unanimous vote, replace the annual special audit with an audit covering a two-year period.

Section 10. Funds.

Subject to the applicable provisions of any Indenture, which may provide for a trustee or other fiduciary to receive, have custody of and disburse Authority funds, the Treasurer of the Authority shall receive, have the custody of and disburse Authority funds pursuant to the accounting procedures developed under Sections 3.C and 9, and shall make the disbursements required by this Agreement or otherwise necessary to carry out any of the provisions of purposes of this Agreement.

Section 11. Notices.

Notices and other communications hereunder to the Members shall be sufficient if delivered to the clerk of the governing body of each Member; provided, however, that to the extent permitted by law, the Authority may, provide notices and other communications and postings electronically (including, without limitation, through email or by posting to a website).

Section 12. Additional Members/Withdrawal of Members.

Qualifying public agencies may be added as parties to this Agreement and become Members upon: (1) the filing by such public agency with the Authority of an executed counterpart of this Agreement, together with a copy of the resolution of the governing body of such public agency approving this Agreement and the execution and delivery hereof; and (2) adoption of a resolution of the Board approving the addition of such public agency as a Member. Upon satisfaction of such conditions, the Board shall file such executed counterpart of this Agreement as an amendment hereto, effective upon such filing.

A Member may withdraw from this Agreement upon written notice to the Board; provided, however, that no such withdrawal shall result in the dissolution of the Authority so long as any Bonds remain outstanding. Any such withdrawal shall be effective only upon receipt of the notice of withdrawal by the Board which shall acknowledge receipt of such notice of withdrawal in writing and shall file such notice as an amendment to this Agreement effective upon such filing.

Section 13. Indemnification.

To the full extent permitted by law, the Board may authorize indemnification by the Authority of any person who is or was a Director or an officer, employee of other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a Director or an officer, employee or other agent of the Authority, against expenses, including attorneys fees, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful and, in the case of an action by or in the right of the Authority, acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 14. Contributions and Advances.

Contributions or advances of public funds and of the use of personnel, equipment or property may be made to the Authority by the Members for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any such contribution or advance. Any such advance may be made subject to repayment, and in such case shall be repaid, in the manner agreed upon by the Authority and the Member making such advance at the time of such advance. It is mutually understood and agreed to that no Member has any obligation to make advances or contributions to the Authority to provide for the costs and expenses of administration of the Authority, even though any Member may do so. The Members understand and agree that a portion of the funds of the Authority that otherwise may be allocated or distributed to the Members may instead be used to make grants, loans or provide other financial assistance to governmental units and nonprofit organizations (e.g., the Foundation) to accomplish any of the governmental unit's or nonprofit organization's purposes.

Section 15. Immunities.

All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, and other benefits which apply to the activity of officers, agents or employees of Members when performing their respective functions within the territorial limits of their respective public agencies, shall apply to the same degree and extent to the Directors, officers, employees, agents or other representatives of the Authority while engaged in the performance of any of their functions or duties under the provisions of this Agreement.

Section 16. Amendments.

Except as provided in Section 12 above, this Agreement shall not be amended, modified, or altered, unless the negative consent of each of the Members is obtained. To obtain the negative consent of each of the Members, the following negative consent procedure shall be followed: (a) the Authority shall provide each Member with a notice at least sixty (60) days prior to the date such proposed amendment is to become effective explaining the nature of such proposed amendment and this negative consent procedure; (b) the Authority shall provide each Member who did not respond a reminder notice with a notice at least thirty (30) days prior to the date such proposed amendment is to become effective; and (c) if no Member objects to the proposed amendment in writing within sixty (60) days after the initial notice, the proposed amendment shall become effective with respect to all Members.

Section 17. Effectiveness.

This Agreement shall become effective and be in full force and effect and a legal, valid and binding obligation of each of the Members on the date that the Board shall have received from two of the Initial Members an executed counterpart of this Agreement, together with a certified copy of a resolution of the governing body of each such Initial Member approving this Agreement and the execution and delivery hereof.

Section 18. Partial Invalidity.

If any one or more of the terms, provisions, promises, covenants or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Agreement shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 19. Successors.

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto. Except to the extent expressly provided herein, no Member may assign any right or obligation hereunder without the consent of the other Members.

Section 20. Miscellaneous.

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

The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

This Agreement shall be governed under the laws of the State of California.

This Agreement is the complete and exclusive statement of the agreement among the Members, which supercedes and merges all prior proposals, understandings, and other agreements, whether oral, written, or implied in conduct, between and among the Members relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their duly authorized representatives as of the day and year first above written.

Member:

CITY OF TORRANCE

By _____

Name: Eric E. Tsao

Title: Finance Director

ATTEST:

By _____

Name:

Title:

