



City of Ukiah

Ukiah Public Financing Authority

Special Meeting **AGENDA**

Civic Center Council Chamber ♦ 300 Seminary Avenue ♦ Ukiah, CA 95482

Register for Ukiah City Council Special Meeting at:

<https://attendee.gotowebinar.com/rt/993588385031958539>

After registering, you will receive a confirmation email containing information about joining the webinar. Alternatively, you may view the meeting (without participating) by clicking on the name of the meeting at www.cityofukiah.com/meetings.

August 19, 2020 - 6:00 PM

Meeting will begin at 6:00 p.m., or as soon as the meeting may be held in conjunction with the City Council meeting.

1 ROLL CALL AND PLEDGE OF ALLEGIANCE

2 AUDIENCE COMMENTS ON NON-AGENDA ITEMS

The RDA Successor Agency welcomes input from the audience. In order for everyone to be heard, please limit your comments to three (3) minutes per person and not more than ten (10) minutes per subject. The Brown Act regulations do not allow action to be taken on audience comments in which the subject is not listed on the agenda.

3 PUBLIC HEARING

- 3.a. Consideration of Authority Adopting Resolution Authorizing (1) Series 2020A Lease Revenue Bonds to Reimburse the City for the Cost to Purchase, Renovate, and Improve City Facilities and (2) 2020B Lease Revenue Bonds to Pay Off a Portion of the City's Unfunded Accrued Liability with CalPERS

Recommended Action: Authority adopt the attached resolution (Attachment 2) authorizing staff to move forward with the financing strategy as presented.

Attachments:

1. A1 - Resolution_of_the_City_Draft_08-06-20 (GFE)
2. A2 - Resolution_of_the_Authority_Draft_08-06-20 (GFE)
3. A3 - Ukiah_2020A_Site_Lease_
4. A4 - Ukiah_2020B_Site_Lease_
5. A5 - Ukiah_2020A_Lease_Agreement_
6. A6 - Ukiah_2020B_Lease_Agreement_
7. A7 - Ukiah_2020A_Assignment_Agreement_
8. A8 - Ukiah_2020B_Assignment_Agreement_
9. A9 - Ukiah_Indenture_
10. A10 - Ukiah 2019-20 Pension Report 200214
11. A11 - Ukiah UAL Restructuring Analysis 200812
12. A12 - Ukiah_Memorandum_of_2020A_Lease_Agreement_

4 ADJOURNMENT

Please be advised that the City needs to be notified 72 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. The City complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Ukiah City Hall, located at 300 Seminary Avenue, Ukiah, California, not less than 24 hours prior to the meeting set forth on this agenda.

Kristine Lawler, City Clerk

Dated: 8/14/20

Series 2020A Lease Revenue Bonds - Ukiah Community Facilities Acquisition and Improvement Project

Proceeds from the 2020A Lease Revenue Bonds will be used to reimburse the City for the cost to purchase the Bank of America Building, and to pay the costs associated with renovating the new customer service center and roof replacement project for the museum. This proposed series of tax-exempt bonds is currently estimated to have an all-in cost of financing around 1.95 percent and amortized over 20 years.

Series 2020B Lease Revenue Bonds

With proceeds from the 2020B Bonds the City intends to refinance a portion of the UAL of the City's Miscellaneous, Safety Fire, and Safety Police pension plans with CalPERS. The City has identified two goals for the refinancing: (1) to generate cash flow savings to the City and taxpayers through historically low current bond market interest rates relative to the CalPERS discount rate assumption (currently 7 percent), and (2) to create a repayment schedule for the City's pension liabilities that enhances budget predictability and long term fiscal sustainability and resiliency. This proposed taxable refinancing is currently estimated to have an all-in cost of financing between 3.70 percent and 4.00 percent (vs. 7.0 percent that CalPERS charges the City on the outstanding UAL) based on current market conditions.

Background:

Ukiah Community Facilities Acquisition and Improvement Project and 2020A Lease Revenue Bonds

The acquisition of the Bank of America Building took place on June 1, 2020, advanced out of City reserves but with the intention ultimately to debt finance the acquisition and necessary renovations and ADA (Americans with Disabilities Act) improvements. Management identified this as a unique time to use tax-exempt financing (the "Financing") to effectuate the Project.

CalPERS UAL Restructuring and 2020B Lease Revenue Bonds

In 2019 the Finance Department commissioned a report (Attachment 10) by NHA Advisors, the City's Registered Municipal Advisor, to analyze and provide recommendations to address its Unfunded Accrued Liability ("UAL") with CalPERS. The UAL represents the City's share of CalPERS estimated liabilities to meet pension benefit obligations earned by current and past City employees and the assets available to fund them. It is an existing debt, reported by the City on the face of its audited financial statements and owed to those employees. CalPERS is responsible to make the annuity payments, but the City is responsible for funding them. Over the last 7 years, the City's aggregate UAL for its CalPERS Miscellaneous, Safety Fire, and Safety Police Plans has grown from \$25 million to about \$56 million (estimated for 6/30/2021 by CalPERS). The UAL will likely be increasing again after incorporation of the 6.7 percent FYE 2019 returns and 4.7 percent returns for FYE 2020. The UAL represents the shortfall/gap between what is actuarially expected to be needed to pay retiree benefits over time compared to the current assets on hand and expected earnings on those assets from City contributions, employee contributions and past CalPERS earnings. The \$56 million of UAL debt is reduced over time through payments required by CalPERS. The payments are defined through multiple amortization schedules over 2 to 30 years, and interest is charged to the City at the current rate of 7.0 percent. Pension cost increases are the largest financial challenge facing most cities throughout the state and are primarily due to

factors outside the City's control, including discount rate changes, assumption changes made by CalPERS and investment returns that were below expectations. In fiscal year 2021 alone the City paid CalPERS over \$4.1 million for its annual UAL installment. This was a budgetary expenditure not required of the City prior to 2008.

Discussion:

ANALYSIS OF THE TWO SERIES:

2020A Lease Revenue Bonds: Ukiah Community Facilities Acquisition and Improvement Project

The newly formed Ukiah Public Financing Authority (the "Authority") will be used as the conduit entity to assist in the Financing as the counter-party to the various legal agreements and as issuer of the Series 2020A Lease Revenue Bonds, bank qualified, in an aggregate amount of not to exceed Two Million Eight Hundred Fifty Thousand Dollars (\$2,850,000). It is anticipated that the 2020A Bonds will be repaid over a 20-year fully amortizing term, which equates to annual debt service of approximately \$191,746, based on currently estimated tax-exempt interest rates of about 2.16 percent.

The Bonds would be issued pursuant to the terms and conditions of a Trust Agreement (the "Trust Agreement"), dated as of October 1, by and among the Authority, the City and Bank of New York Mellon, as Trustee thereunder.

In accordance with the State of California Constitution, and as necessary to provide security for the repayment of the 2020A Bonds, the City has agreed pursuant to the Site Lease referenced in the subject resolutions (the "Site Lease" Attachments 3 and 4), to lease certain City owned real property and facilities to the Authority. The Authority has in turn agreed pursuant to the Lease Agreement referenced in the subject resolutions (the "Lease Agreement" Attachments 5 and 6) to sublease the Site and Facilities back to the City in exchange for the City's promise to make annual rental payments (the "Rental Payments") to the Authority for the City's use and occupancy of the Site and Facilities. The Rental Payments are being assigned by the Authority to the Trustee pursuant to an Assignment Agreement referenced in the subject resolutions (the "Assignment Agreement" Attachment 7) which Rental Payments are then paid by the Trustee to 2020A Bondholders.

By Project element, estimated costs break down as follows. These are estimates, and elements 2-4 will require additional Council consideration and approval later. Further, Council could replace elements identified here with alternatives provided they are capital improvements-related and not maintenance or operational activities. Estimated debt service for each component also is noted.

Acquisition of the Building: \$762,562; annual debt services of \$51,305

Renovation and ADA improvements to Building: \$750,000; annual debt services of \$50,459

Relocation of current services to Building and re-appropriation of vacated space: \$737,438; annual debt services of \$47,506

Grace Hudson Museum Roof Replacement: \$600,000; annual debt services of \$40,368

Of note, debt service on the Museum Roof Replacement is proposed to be paid by the Museum Endowment in year 1 up to \$40,000 and negotiated in subsequent years.

Financial Impact:

Total interest paid over the 20 year term of the bonds is estimated to be \$605,480. Combined with the principal paid of \$2,850,000, total payments would be \$3,454,646. Considering the time value of money, financing this project at current tax-exempt market rates over 20 years is an effective and efficient use of resources. As an example, the present value of payments totaling \$3,454,646 in 20 years assuming an average 2 percent inflation rate would be \$2,828,797 (present value of an annuity). Assuming a higher average inflation rate would make financing the project even more cost-effective. In other words, it could be less expensive to borrow money to finance the Project than pay with cash on hand. It is one of the primary reasons management is recommending this financing strategy.

Cost of issuance are estimated to be \$34,358, which include, but are not limited to, costs associated with establishing the Ukiah Financing Authority (completed in June), bond and disclosure counsel, financial advisory services, and underwriting services. This amounts to 1.2 percent of the issuance (par) amount of the bonds. Issuance costs are paid out of the bond proceeds received, and debt service on those is estimated at \$2,206 annually.

2020B Lease Revenue Bonds: CalPERS UAL Restructuring

Given the significant unfunded nature of the City's pension obligations, the challenge is: how can the City most effectively secure the financial future of the City, its employees, and its retirees while ensuring the delivery of public services and stewardship of public resources. Numerous cities (Riverside, Marysville, Pacifica, West Covina, El Monte, Ontario, Carson, Inglewood, Montebello, Pasadena, Glendora, Larkspur, Monrovia, Hawthorne, Pomona, La Verne and several others) throughout California have recently refinanced their UAL to restructure the payment pattern and increase the funding of their pension plan.

The proposed Bonds can be an effective tool to achieve several objectives:

1. Achieve Fiscal Stability: Change the payment pattern (e.g., a smooth pattern for bond repayment, vs a sharply increasing pattern with no bonds). Smoother payment patterns make budgeting easier.
2. Realize Savings: Obtain higher expected investment returns on investments at retirement system (e.g., 7 percent) than borrowing cost (e.g., ~3.70-4.00 percent as of July 2020)
3. Maintain Service Levels: Reduce chance of service reductions, public safety layoffs, deferred maintenance.
4. Increase the pension plan's level of funding: from 65 percent to 92 percent
5. Establish a Long-Term Plan; Incorporating best practices, operate the City on an actuarially sound basis to meet and reduce future liabilities.

Objectives 1 and 2 were the most important considerations in staff's analysis and key drivers in its recommendation here. The City's financing team is evaluating various amortization structures for the Bonds that optimize those two primary objectives.

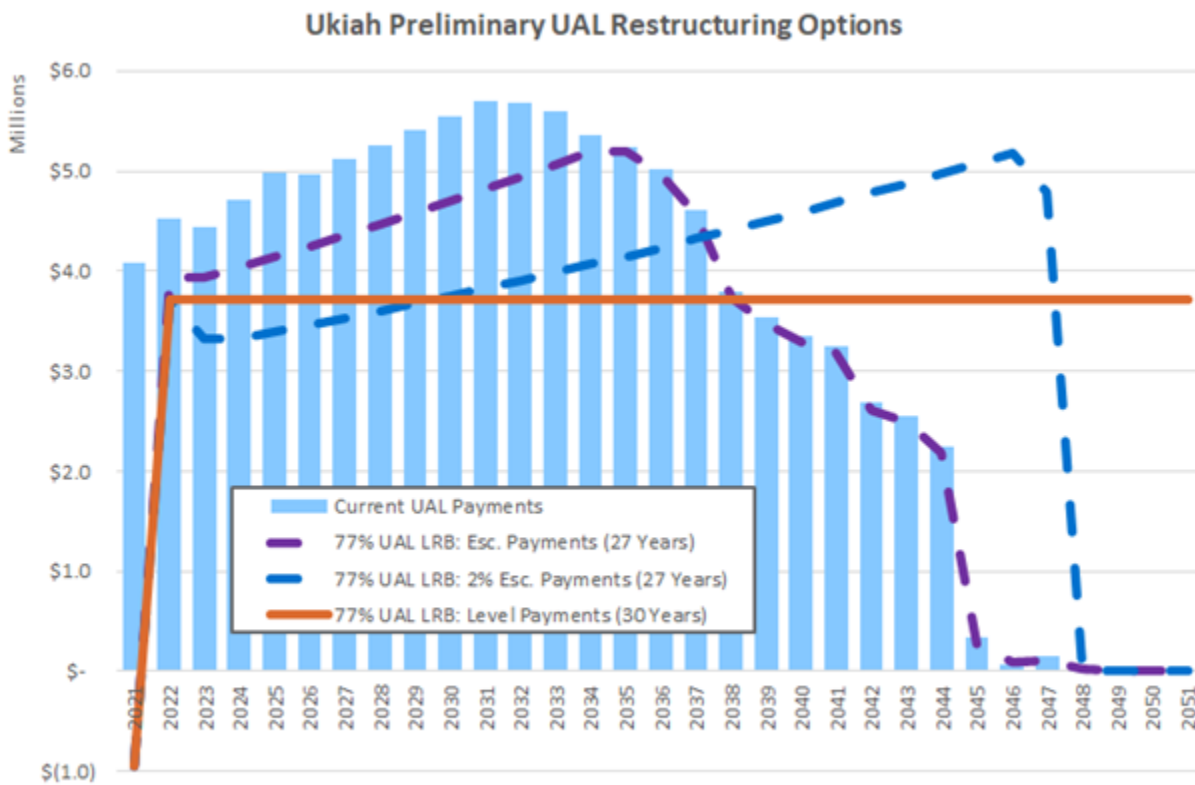
Financial Impact:

There are numerous ways in which the City can restructure its UAL payments under a refinancing such as this. Given the two primary objectives mentioned earlier, the financing team (staff, municipal advisor, and the City’s budget ad hoc) examined six funding alternatives (Attachment 11). The chart below graphically depicts three preliminary options the team considered most impactful to meeting those objectives. Each of the three options assumes that the city funds about 77 percent of its UAL, bringing the funding ratio of all three plans to about 92 percent - a healthy funding ratio according to most actuaries. Each option below also assume that the City generates \$5 million of upfront savings for FY 2020/21 to help address COVID-19 revenue concerns. Based on feedback from City Council and discussion on August 19th, City Staff and the Financing Team can further refine the desired options. The three options are briefly described below:

OPTION 1 – 27 Year Maturity; payments then declining in the future years to mimic the current structure (no years of dissavings/added payments) . Most cumulative savings (\$14.5M) but least amount of near-term savings (\$14.0M through 2037)

OPTION 2 – 27-Year Maturity with 2% escalation in payments; \$26.9M of savings through 2037, \$1.0M of cumulative savings through maturity

OPTION 3 – 30-Year Maturity with level payments; \$27.8M of savings through 2037, negative \$2.2M of cumulative savings through maturity



The new projected payments (shown in the lines, representing the estimated City lease payments combined with remaining UAL with CalPERS) for the City vs the current payments with CalPERS (grey bars) are shown above, with detailed savings and bond estimates in the table below and in Attachment 9. As shown, the refinancing is estimated to generate \$5.0 million in savings for FY 2021 and then between \$820K and \$1.6M on average annually through 2037. While total savings varies from negative \$2.2 million to positive \$14.5

million, the present value savings (“savings in today’s dollars”) is fairly steady across all three scenarios, ranging from \$10.4M to \$12.2M. All savings estimates assume current interest rates and 7.0 percent future CalPERS returns.

City of Ukiah Preliminary UAL Restructuring Options – Estimated Savings Summary

Metrics	77% UAL LRB: Esc. Payments (27 Years)	77% UAL LRB: 2% Esc. Payments (27 Years)	77% UAL LRB: Level Payments (30 Years)
UAL Funded (\$)	\$43,000,000	\$43,000,000	\$43,000,000
UAL Funded (%)	77%	77%	77%
New Funded Ratio	92%	92%	92%
Average Life of New Debt	13.7 Years	19.8 Years	21.3 Years
All-In Interest Rate	3.85%	4.06%	4.10%
PV Savings (%)	28.28%	24.63%	24.18%
PV Savings (\$)	\$12,158,402	\$10,590,273	\$10,399,523
Cumulative Savings	\$14,528,000	\$1,046,525	(\$2,163,237)
Savings From 2021 to 2037	\$14,000,135	\$26,910,396	\$27,797,575
Average Savings (2021-2037)	\$823,537	\$1,582,964	\$1,635,151

Ultimately, actual savings from the restructuring will be a component of two factors: (1) actual interest rates at the time of bond pricing (estimated to be October 2020) and (2) future CalPERS returns, which is an unknown at the time of bond issuance. To the extent that CalPERS earns lower than 7.0 percent over the next 25-30 years, the savings will be less than shown above. If higher than 7.0 percent, then the savings will be higher than estimated. The rule of thumb is that the City will be better off (i.e. the UAL Restructuring produced savings) if CalPERS earns more than the interest rate on the bonds (currently estimated between 3.75 percent and 4.00 percent). While past performance doesn’t guarantee future results, CalPERS historical 30-year returns are 8.0 percent, 5.5 percent for the last 20 years, 8.5 percent for last 10 years and 6.3 percent for the last 5 years. Assessing and mitigating reinvestment risk will be a key objective as the City and its team evaluate and optimize the final bond structure. Other concerns (besides reinvestment risk) of pension bonds that were highlighted by the GFOA (Governance Finance Officers Association) in 2015 are not applicable (or outdated) to the proposed issuance of bonds and will be addressed in more detail by the City’s municipal advisor during the PowerPoint presentation on August 19th.

Series 2020B: Savings for FY 2020/21 will be approximately \$5 million no matter what structuring option is executed. Future annual payments and the savings generated will be dependent on which options are ultimately pursued, interest rates at the time of issuance and future CalPERS returns.

Cost of issuance are estimated to be \$585,818, which include, but are not limited to, costs associated with establishing the Ukiah Financing Authority (completed in June), bond and disclosure counsel, financial advisory services, and underwriting services. This amounts to 1.2 percent of the issuance (par) amount of the bonds. Issuance costs are paid out of the bond proceeds received.

Staff and the Financing Team will have more refined estimates when the Preliminary Official Statement will be ready for approval by the City Council (likely in September or October of 2020).

SUMMARY OF THE RESOLUTIONS:

The subject resolutions essentially authorize and approve the form of all the primary legal documents (the “Financing Documents”) necessary to provide for the successful issuance of the Bonds. The adoption of each Resolution is a legal prerequisite to allow for the completion of the appropriate documentation necessary for the issuance of the Bonds. The accompanying Financing Documents comprise a financing structure that is considered standard for California cities to legally incur debt secured by general fund revenues, and is acceptable to the Bank, as the purchaser of the Bonds. In using this financing structure, a lease arrangement must be established with a third-party governmental entity. The Authority is being used to serve this purpose for this financing transaction.

PUBLIC HEARING:

In accordance with Government Code Section 6586 (a), (c) and (d), the City must hold a public hearing to consider public testimony concerning the possible issuance of Bonds by the Authority to finance certain public capital improvements within the boundaries of the City, including the City of Ukiah Customer Service Center Project as well as the streets leased as security for the 2020B Lease Revenue Bonds (the “Leased Assets”). The Resolutions approve the lease of the Site and Facilities and the sale of the Bonds by the Authority and find that there are significant public benefits in connection with the Leased Assets, and the associated Financing thereof with the proceeds of the Bonds. The City Clerk has provided notice of the public hearing as required by law.

SUMMARY OF FINANCING DOCUMENTS:

The Financing Documents are being presented to the City Council as “form-only documents.” The actual final forms cannot be produced at this time because the exact amounts, dates, and certain other information will not be known until the actual sale date. The subject resolutions authorize and direct certain City and Authority officers and staff to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the Bonds. If the final terms for any reason should fall outside of expected parameters, staff will return for further direction before finalizing the transaction.

The Financing Documents are described in detail below but can be succinctly summarized as follows: The 2020A Lease Revenue Bonds are sold to the underwriter and the proceeds from the sale of the 2020A Lease Revenue Bonds are used to reimburse the City for advanced project costs to date of \$762,562 with the balance of \$2,087,438 being set aside in a City controlled Project Fund which will be used to repair and renovate the City of Ukiah Customer Service Center Project and to pay costs of issuance. The 2020B Lease Revenue Bonds are sold to the underwriter and the proceeds from the sale of the 2020B Lease Revenue Bonds are used to refinance a portion of the City’s Miscellaneous, Safety Fire, and Safety Police pension plans UAL owed to CalPERS, and to pay costs of issuance. Pursuant to the Lease Agreements (Attachments 5 and 6), the City is leasing the Leased Assets from the Authority in exchange for making semi-annual Rental Payments which are assigned to the Trustee, who then makes corresponding semi-annual debt service payments directly to the Bond Owners.

The Financing Documents, and a brief description of each, is as follows:

1. Site Leases (Attachments 3 and 4): These are the agreements between the City and Authority, which

provides the mechanism of leasing the Leased Assets, respectively, to the Authority so that they can be leased back pursuant to the respective Lease Agreements.

2. Lease Agreements (Attachments 5 and 6): These agreements provide for the lease of the Leased Assets, respectively, back to the City in exchange for Rental Payments commensurate with the respective debt service schedules for each series of the Bonds. Under each of the Lease Agreements the City is pledging its general fund to make the annual Rental Payments for the life of the Bonds.

Each Lease Agreement, among other things, provides the following:

- That the City must include Rental Payments due each Fiscal Year in each corresponding annual budget and to make the necessary annual appropriations for all such annual Rental Payments.
- That the City must, at its sole cost and expense, keep and maintain the Site and Facilities in a clean, safe and good condition and repair.
- That the City shall have the option at any time to substitute other real property in place of the Site and Facilities (i.e., the City has the right to substitute the collateral of the lease transaction), provided that the City is able to first satisfy all of the requirements set forth in Section 7 of the respective Lease Agreement.
- That the City must procure and maintain throughout the term of the financing, the insurance set forth in Section 9 of each Lease Agreement.
- That the obligation of the City to pay Rental Payments shall be abated during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the use and occupancy of the Leased Assets or any portion thereof by the City.
- That upon termination or expiration of a Lease Agreement, and the first date upon which the respective Bonds are no longer outstanding, all right, title and interest in and to the respective Leased Asset shall vest in the City.
- That the Authority covenants that, prior to the discharge of a Lease Agreement and the corresponding series of Bonds, it will diligently maintain its status as a joint powers authority under the laws of the State of California, and will not engage in any activities inconsistent with the purposes for which the Authority is organized.

3. Assignment Agreements (Attachments 7 and 8): This agreement provides the terms and conditions under which the Authority assigns the City's Rental Payments to the Trustee, for ultimate payment to the Bondholders.

4. Indenture (Attachment 9): Another key legal agreement that provides for execution and delivery of the Bonds in exchange for proceeds in the par amount of each series, and further lays out the covenants and specifics of the Bonds, as well as the Trustee's duties, repayment mechanisms, default and remedies provisions, and Bondholder's associated rights and remedies.

5. Memorandum of 2020A Lease Agreement (Attachment 12): recorded with the Mendocino County Recorded in lieu of the full 2020A Lease agreement, incorporating all of the terms of 2020A Lease Agreement therein. May not be needed ultimately.

NEXT STEPS:

Assuming approval of the resolutions by the City and the Authority, City staff and its financing team will (1) begin drafting the Preliminary Official Statement ("POS" – prospectus for investors), (2) developing a credit rating presentation for discussion with Standard and Poor's (rating agency), (3) refining the UAL restructuring options with guidance from the City Council and updating figures based on the recently released CalPERS actuarial reports and (4) hiring an underwriter(s) that will ultimately be used to sell the City's bonds to investors. City staff expects to be back in front of the City Council for approval of the POS in late September or

early October.

Recommended Action: Authority adopt the attached resolution (Attachment 2) authorizing staff to move forward with the financing strategy as presented.

BUDGET AMENDMENT REQUIRED: Yes

CURRENT BUDGET AMOUNT: \$0

PROPOSED BUDGET AMOUNT: Fund 208: \$34,302. General fund, golf, conference center, airport, water, sewer, and electric enterprise funds: \$585,817 total to be allocated by relative share of total pension liability as of June 30, 2020.

FINANCING SOURCE: Bond proceeds

PREVIOUS CONTRACT/PURCHASE ORDER NO.:

COORDINATED WITH: City Manager's Office

Approved: 
Sage Sangiacomo, City Manager

RESOLUTION NO. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH AUTHORIZING THE ISSUANCE OF TWO SEPARATE SERIES OF LEASE REVENUE BONDS; APPROVING THE FORMS OF AND AUTHORIZING AND DIRECTING EXECUTION AND DELIVERY OF TWO SEPARATE SITE AND FACILITIES LEASES AND LEASE AGREEMENTS, AS WELL AS A MEMORANDUM OF LEASE AGREEMENT AND CERTAIN OTHER DOCUMENTS IN CONNECTION THEREWITH; AND AUTHORIZING AND DIRECTING CERTAIN OFFICIAL ACTIONS WITH RESPECT THERETO

WHEREAS, the City of Ukiah (the "City") is obligated by the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the "Retirement Law"), to make payments to the California Public Employees' Retirement System ("CalPERS") relating to pension benefits accruing to current and former City employees who are CalPERS members, including retired employees (the "CalPERS Obligations"); and

WHEREAS, the City currently has an unfunded accrued liability (the "UAL") in respect of the CalPERS Obligations; and

WHEREAS, the CalPERS Obligation, including the UAL, is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the "CalPERS Contract"); and

WHEREAS, the City, working together with the Ukiah Public Financing Authority, a joint powers authority and public body duly organized and existing under the laws of the State of California (the "Authority"), have agreed to enter into certain contractual relations for the purpose, among other things, of providing financing (the "Financing") for the City's proposed (i) new City administration building and related facilities, all as more particularly described in the hereinafter approved 2020A Lease Agreement (the "Customer Service Center Project"), and (ii) prepayment of a portion of the City's UAL, all as more particularly described in the hereinafter approved 2020B Lease Agreement (the "CalPERS Prepayment Project," and together with the Customer Service Center Project, the "Project"); and

WHEREAS, for the purpose of providing for the Financing of the Customer Service Center Project, the City is hereby requesting the Authority to assist the City in the issuance of the proposed Lease Revenue Bonds, Series 2020A (City of Ukiah Customer Service Center Project), in the aggregate principal amount of not to exceed \$2,850,000 (the "2020A Bonds"), all pursuant to a Indenture (the "Indenture"), dated as of October 1, 2020, by and among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"); and

WHEREAS, for the purpose of providing for the Financing of the CalPERS Prepayment Project, the City is hereby requesting the Authority to assist the City in the issuance of the proposed Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project), in the aggregate principal amount not to exceed that required for the purpose of refinancing part or all of the City's UAL (the "2020B Bonds," and together with the 2020A Bonds, the "Bonds"), all pursuant to the Indenture; and

WHEREAS, the City proposes to lease certain City owned real property and facilities, together with the City of Ukiah Customer Service Center Project (collectively, the "2020A Leased Property") to the Authority pursuant to a Site and Facilities Lease (the "2020A Site Lease"), dated as of October 1, 2020, by and between the Authority and the City; and

WHEREAS, the Authority will then sublease the 2020A Leased Property back to the City pursuant to a 2020A Lease Agreement (the “2020A Lease Agreement”), dated as of October 1, 2020, by and between the Authority and the City, in consideration for which the City will to make certain annual rental payments (the “2020A Rental Payments”) to the Authority; and

WHEREAS, the City proposes to lease certain City streets (collectively, the “2020B Leased Property”) to the Authority pursuant to a 2020B Site and Facilities Lease (the “2020B Site Lease,” and together with the 2020A Site Lease, the “Site Lease”), dated as of October 1, 2020, by and between the Authority and the City; and

WHEREAS, the Authority will then sublease the 2020B Leased Property back to the City pursuant to a 2020B Lease Agreement (the “2020B Lease Agreement,” together with the 2020A Lease Agreement, the “Lease Agreement”), dated as of October 1, 2020, by and between the Authority and the City, in consideration for which the City will to make certain annual rental payments (the “2020B Rental Payments,” and together with the 2020A Rental Payments, the “Rental Payments”) to the Authority; and

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code (the “Act”); and

WHEREAS, the City Council desires to designate the 2020A Bonds as a “Qualified Tax-Exempt Obligation” for purposes of Paragraph (3) of Section 265(b) of the Internal Revenue Code of 1986 (the “Code”); and

WHEREAS, the City is a member of the Authority and the City of Ukiah Customer Service Center Project is to be located within the boundaries of the City; and

WHEREAS, on this 19th day of August, 2020, a public hearing was held on the financing of the City of Ukiah Customer Service Center Project in accordance with Section 6586.5 of the Act, which hearing was held at City Hall, 300 seminary Avenue, Ukiah, California; and

WHEREAS, in accordance with Section 6586.5 of the Act, notice of such hearing was published once at least five days prior to the hearing in the Ukiah Daily Journal, a newspaper of general circulation in the City; and

WHEREAS, the City, with the aid of its staff, has reviewed the Indenture, the Site Lease, the Lease Agreement and the Memorandum of Lease Agreement (collectively the Indenture, Site Lease, Lease Agreement and Memorandum of Lease Agreement are hereafter referred to as the “Financing Documents”), the forms of which are on file with the City Clerk, and the City Council wishes at this time to approve the foregoing in the public interests of the City; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the Financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate the Financing in the manner and upon the terms herein provided; and

WHEREAS, the City Council wishes at this time to authorize all proceedings relating to the Financing and the issuance of the Bonds and the execution and delivery of all agreements and documents relating thereto;

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

Section 1. Recitals and Findings. The City Council hereby specifically finds and declares that each of the statements, findings and determinations of the City set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct and that the Financing of the Project will result in significant public benefits for the residents of the City. The City Council hereby further finds and determines that the annual and total rental to be paid under the Lease Agreement does not exceed the annual and total fair rental value, respectively, of the Leased Property as set forth in the Lease Agreement.

Section 2. Authorized Representatives. Mayor, Vice Mayor, City Manager, Finance Director and City Clerk, and any other person designated by the Mayor or City Manager to act on behalf of the City shall each be an "Authorized Representative" of the City for the purposes of structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the issuance, sale and delivery of the Bonds (including, but not limited to, the Financing Documents and any other documentation required or necessary in connection therewith), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City Council has approved in this Resolution and the Financing Documents.

Section 3. Approval of the Issuance of the Bonds. The City Council hereby approves the issuance of the Bonds by the Authority pursuant to the terms of the Financing Documents in substantially the form on file with the City Clerk.

Section 4. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as Trustee under the Indenture unless and until replaced in accordance with the provisions of the Indenture.

Section 5. Approval of Financing Documents. The Financing Documents in substantially the form on file with the City Clerk and presented at this meeting are hereby approved. Any Authorized Representative, on behalf of the City, each acting alone, are hereby authorized and directed, for and in the name of the City, to execute and deliver the Financing Documents in such form, together with such changes, insertions and omissions as may be approved by the City Attorney and/or an Authorized Representative, such execution to be conclusive evidence of such approval; and the City Clerk is hereby authorized and directed to attest such Financing Documents and affix the seal of the City thereto. The City Council hereby authorizes the delivery and performance of the Financing Documents.

Section 6. Qualified Tax-Exempt Obligation. The City Council hereby designates the Lease 2020A Agreement and 2020A Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a "Qualified Tax-Exempt Obligation" and covenants that the 2020A Lease Agreement and 2020A Bonds do not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the City (including all other subordinate entities of the City which may issue obligations on behalf of the City) during the calendar year 2020 is not reasonably expected to exceed \$10,000,000.

Section 7. Good Faith Estimates. In accordance with Section 5852.1 of the California Government Code, good faith estimates of the following are set forth on Appendix A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 8. Public Hearing. The City Council hereby finds that (a) the public capital improvements to be financed and refinanced by the Bonds are to be located within the boundaries of the City and (b) there are significant public benefits, including demonstrable savings in effective interest rates, bond preparation, bond issuance costs, arising from the Authority's issuance of the Bonds to finance such public capital improvements as contemplated by Section 6586 of the California Government Code.

Section 9. Engagement of Consultants. The City Council hereby confirms the engagement of The Weist Law Firm for bond counsel services and NHA Advisors for financial advisory services in connection with the issuance of the Bonds.

Section 10. Official Actions. The Trustee and each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution.

Section 11. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Ukiah on August 19, 2020 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Douglas F. Crane, Mayor

ATTEST:

Kristine Lawler, City Clerk

APPENDIX A

GOOD FAITH ESTIMATES*

Set forth below are good faith estimates of the City's municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code") in connection with the Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the "2020A Bonds"), and the Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) (the "2020B Bonds"). The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.

Series 2020A Bonds

- (a) The true interest cost of the 2020A Bonds is estimated at 2.1593588%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- (b) The finance charge of the 2020A Bonds, including all fees and charges paid to third parties, is estimated at \$34,342.02. **
- (c) Proceeds of the 2020A Bonds to be received by the City of \$3,111,449.65 less the finance charge set forth in (b) above, is equal to \$3,077,107.63. ***
- (d) The total payment amount of the 2020A Bonds calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$3,834,336.11.

Series 2020B Bonds

- (a) The true interest cost of the 2020B Bonds is estimated at 4.0543101%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- (b) The finance charge of the 2020B Bonds, including all fees and charges paid to third parties, is estimated at \$585,817.98. **
- (c) Proceeds of the 2020B Bonds to be received by the City of \$50,510,000.00 less the finance charge set forth in (b) above, is equal to \$49,924,182.02. ***
- (d) The total payment amount of the 2020B Bonds calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$93,934,946.04.

*All amounts and percentages are estimates, and are made in good faith by the City based on information available as of the date of adoption of this Resolution, The principal amounts, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto will differ from such good faith estimates which are subject to change prior to the time of closing.

** Total costs of issuance are allocated pro rata to Series A & B based on par amount.

*** Includes anticipated cash funded debt service reserve fund.

RESOLUTION NO. PFA-2020-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UKIAH PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF TWO SEPARATE SERIES OF LEASE REVENUE BONDS; APPROVING THE FORMS OF AND AUTHORIZING AND DIRECTING EXECUTION AND DELIVERY OF TWO SEPARATE SITE AND FACILITIES LEASES, LEASE AGREEMENTS AND ASSIGNMENT AGREEMENTS, AS WELL AS A MEMORANDUM OF LEASE AGREEMENT, AN INDENTURE AND CERTAIN OTHER DOCUMENTS IN CONNECTION THEREWITH; AND AUTHORIZING AND DIRECTING OFFICIAL ACTIONS WITH RESPECT THERETO

WHEREAS, the Ukiah Public Financing Authority (the “Authority”) is a joint powers authority and public body duly organized and existing under the laws of the State of California, organized with the power and authority to assist the City of Ukiah, California (the “City”), with the financing of certain public capital improvements for the use, benefit and enjoyment of the public; and

WHEREAS, the City is obligated by the Public Employees’ Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the “Retirement Law”), to make payments to the California Public Employees’ Retirement System (“CalPERS”) relating to pension benefits accruing to current and former City employees who are CalPERS members, including retired employees (the “PERS Obligations”); and

WHEREAS, the City currently has an unfunded accrued liability (the “UAL”) in respect of the PERS Obligations; and

WHEREAS, the Pension Obligation, including the UAL, is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the “CalPERS Contract”); and

WHEREAS, the City has requested the assistance of the Authority to cause “Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A (the “Customer Service Center Project”)” (the “2020A Bonds”) to be issued in the aggregate principal amount of not to exceed \$2,850,000 for the purpose of providing permanent long-term financing for a portion of the costs of acquiring, constructing, furnishing and equipping of a new customer service center to be owned and operated by the City (the “Customer Service Center Project”), along with any reserve fund requirement and all financing costs associated with the execution and delivery of the 2020A Bonds, all pursuant to the terms and conditions of an Indenture (the “Indenture”), dated as of October 1, 2020, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the “Trustee”); and

WHEREAS, the City has requested the assistance of the Authority to cause “Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020B (the “CalPERS Prepayment Project”)” (the “2020B Bonds,” and together with the 2020A Bonds, the “Bonds”) to be issued in the aggregate principal amount not to exceed that required for the purpose of refinancing part or all of the City’s UAL (collectively, the “CalPERS Prepayment Project,” and together with the Customer Service Center Project, the “Project”) along with any reserve fund requirement and all financing costs associated with the execution and delivery of the 2020B Bonds along with incidental and related expenses, all pursuant to the terms and conditions of the Indenture; and

WHEREAS, the City proposes to lease certain City owned real property and facilities, together

with the City of Ukiah Customer Service Center Project (collectively, the “2020A Leased Property”) to the Authority pursuant to a Site and Facilities Lease (the “2020A Site Lease”), dated as of October 1, 2020, by and between the Authority and the City; and

WHEREAS, the Authority will then sublease the 2020A Leased Property back to the City pursuant to a 2020A Lease Agreement (the “2020A Lease Agreement”), dated as of October 1, 2020, by and between the Authority and the City, in consideration for which the City will to make certain annual rental payments (the “2020A Rental Payments”) to the Authority; and

WHEREAS, the City proposes to lease certain City streets (collectively, the “2020B Leased Property”) to the Authority pursuant to a 2020B Site and Facilities Lease (the “2020B Site Lease,” and together with the 2020A Site Lease, the “Site Lease”), dated as of October 1, 2020, by and between the Authority and the City; and

WHEREAS, the Authority will then sublease the 2020B Leased Property back to the City pursuant to a 2020B Lease Agreement (the “2020B Lease Agreement,” together with the 2020A Lease Agreement, the “Lease Agreement”), dated as of October 1, 2020, by and between the Authority and the City, in consideration for which the City will to make certain annual rental payments (the “2020B Rental Payments,” and together with the 2020A Rental Payments, the “Rental Payments”) to the Authority; and

WHEREAS, to implement the foregoing, the Authority and the Trustee propose to execute and enter into (i) a 2020A Assignment Agreement (the “Assignment Agreement”), dated as of October 1, 2020, whereby the Authority will assign to the Trustee all of its rights and entitlements under the 2020A Site Lease and the 2020A Lease Agreement, including but not limited to the entitlement to receive the 2020A Rental Payments from the City, and (ii) a 2020B Assignment Agreement (the “2020B Assignment Agreement,” and together with the 2020A Assignment Agreement, the “Assignment Agreement”), dated as of October 1, 2020, whereby the Authority will assign to the Trustee all of its rights and entitlements under the 2020B Site Lease and the 2020B Lease Agreement, including but not limited to the entitlement to receive the 2020B Rental Payments from the City; and

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code (the “Act”); and

WHEREAS, the City is a member of the Authority and the City of Ukiah Customer Service Center Project is to be located within the boundaries of the City; and

WHEREAS, on this July 7, 2020, a public hearing was held on the financing of the City of Ukiah Customer Service Center Project in accordance with Section 6586.5 of the Act, which hearing was held at City Hall, 300 seminary Avenue, Ukiah, California; and

WHEREAS, in accordance with Section 6586.5 of the Act, notice of such hearing was published once at least five days prior to the hearing in the Ukiah Daily Journal, a newspaper of general circulation in the City; and

WHEREAS, the Authority, with the aid of its staff, has reviewed the Indenture, the Site Lease, the Lease Agreement (along with the corresponding “Memorandum of Lease Agreement”) and the Assignment Agreement (collectively the Indenture, Site Lease, Lease Agreement, Memorandum of Lease Agreement and Assignment Agreement are hereafter referred to as the “Financing Documents”), the forms of which are on file with the Secretary of the Authority (the “Secretary”),

and the Board of Directors of the Authority (the "Board") wishes at this time to approve the foregoing in the public interests of the Authority; and

WHEREAS, Authority is authorized by law to lease and re-lease the Leased Property and to enter into the Financing Documents; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the City of Ukiah Customer Service Center Project in the manner and upon the terms herein provided; and

NOW, THEREFORE, IT IS HEREBY DETERMINED AND RESOLVED BY THE BOARD OF DIRECTORS OF THE UKIAH PUBLIC FINANCING AUTHORITY AS FOLLOWS:

Section 1. Recitals and Findings. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Authority set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct and are incorporated herein by this reference. The Board hereby further finds and determines that the annual and total rental to be paid under the Lease Agreement does not exceed the annual and total fair rental value, respectively, of the Leased Property as set forth in the Lease Agreement.

Section 2. Authorization of the Bonds. The Board hereby authorizes the preparation, sale and delivery of the Bonds in accordance with the terms and provisions of the Indenture.

Section 3. Authorized Representatives. The Chair, Vice Chair, Executive Director, Treasurer or Secretary, and any other person designated by the Board or Executive Director to act on behalf of the Authority, shall each be an "Authorized Representative" of the Authority for the purposes of structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the Authority, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the Bonds (including, but not limited to, the Financing Documents and any other documentation required or necessary in connection therewith) and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City Council has approved in this Resolution and the Financing Documents.

Section 4. Approval of Financing Documents. The Financing Documents in substantially the form on file with the Secretary and presented at this meeting are hereby approved. Any Authorized Representative, on behalf of the Authority, each acting alone, are hereby authorized and directed, for and in the name of the Authority, to execute and deliver the Financing Documents in such form, together with such changes, insertions and omissions as may be approved by Authority counsel and/or an Authorized Representative, such execution to be conclusive evidence of such approval; and the Secretary is hereby authorized and directed to attest such Financing Documents and affix the seal of the Authority thereto. The Board hereby authorizes the delivery

and performance of the Financing Documents.

Section 5. Engagement of Consultants. The Board hereby confirms the engagement of The Weist Law Firm for bond counsel services and NHA Advisors for financial advisory services in connection with the issuance of the Bonds.

Section 6. Good Faith Estimates. In accordance with Section 5852.1 of the California Government Code, good faith estimates of the following are set forth on Appendix A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 7. Public Hearing. The Board hereby finds that (a) the public capital improvements to be financed and refinanced by the Bonds are to be located within the boundaries of the City and (b) there are significant public benefits, including demonstrable savings in effective interest rates, bond preparation, bond underwriting or bond issuance costs, arising from the Authority's issuance of the Bonds to finance such public capital improvements as contemplated by Section 6586 of the California Government Code.

Section 8. Other Actions. The Chair, Vice Chair, Executive Director, Treasurer or Secretary, and such other officers of the Authority are authorized and directed, jointly and severally, to do any and all things and to execute and deliver the Financing Documents and any and all other documents and certificates which they may deem necessary or advisable in order to consummate the sale and delivery of the Bonds, and otherwise effectuate the purposes of this Resolution.

Section 9. Effective Date. This Resolution shall take effect immediately from and after the date of its passage and adoption.

THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED by the Board of Directors of the Ukiah Public Financing Authority at a regular meeting held on this August 19, 2020, by the following roll call vote:

AYES:
NOES:
ABSENT
ABSTAIN:

Douglas F. Crane, Chair of the Ukiah
Public Financing Authority

ATTEST:

Kristine Lawler, Secretary of the Ukiah
Public Financing Authority

APPENDIX A

GOOD FAITH ESTIMATES*

Set forth below are good faith estimates of the Authority's municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code") in connection with the Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the "2020A Bonds"), and the Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) (the "2020B Bonds"). The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.

Series 2020A Bonds

(a) The true interest cost of the 2020A Bonds is estimated at 2.1593588%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the 2020A Bonds, including all fees and charges paid to third parties, is estimated at \$34,342.02. **

(c) Proceeds of the 2020A Bonds to be received by the City of \$3,111,449.65 less the finance charge set forth in (b) above, is equal to \$3,077,107.63. ***

(d) The total payment amount of the 2020A Bonds calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$3,834,336.11.

Series 2020B Bonds

(a) The true interest cost of the 2020B Bonds is estimated at 4.0543101%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the 2020B Bonds, including all fees and charges paid to third parties, is estimated at \$585,817.98. **

(c) Proceeds of the 2020B Bonds to be received by the City of \$50,510,000.00 less the finance charge set forth in (b) above, is equal to \$49,924,182.02. ***

(d) The total payment amount of the 2020B Bonds calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$93,934,946.04.

*All amounts and percentages are estimates, and are made in good faith by the Authority based on information available as of the date of adoption of this Resolution, The principal amounts, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto will differ from such good faith estimates which are subject to change prior to the time of closing.

** Total costs of issuance are allocated pro rata to Series A & B based on par amount.

*** Includes anticipated cash funded debt service reserve fund.

RECORDING REQUESTED BY:)
 City of Ukiah)
)
WHEN RECORDED MAIL TO:)
 The Weist Law Firm)
 20 South Santa Cruz Avenue, Suite 300)
 Los Gatos, California 95030)
 Attn: Cameron A. Weist, Esq.)
)

(DO NOT WRITE ABOVE LINE - SPACE FOR RECORDERS USE ONLY)

THIS IS A FINANCING DOCUMENT RECORDED FOR THE BENEFIT OF THE CITY OF UKIAH. THIS TRANSACTION IS EXEMPT FROM 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.

2020A SITE AND FACILITIES LEASE

Dated as of October 1, 2020

by and between the

UKIAH PUBLIC FINANCING AUTHORITY

and the

CITY OF UKIAH

Relating to the

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)

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EXHIBIT A — DESCRIPTION OF THE 2020A LEASED FACILITIES

2020A SITE AND FACILITIES LEASE

This 2020A Site and Facilities Lease (the “2020A Site Lease”), dated as of October 1, 2020, is made by and between the CITY OF UKIAH, a municipal corporation duly organized and existing under the laws of the State of California (the “City”), as lessor, and the UKIAH PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency, duly organized and existing under the laws of the State of California (the “Authority”), as lessee.

RECITALS:

WHEREAS, the City desires to finance the acquisition, design, construction, installation, renovation, furnishing and/or reimbursement of certain real property and improvements constituting a new customer service center for the City as well as a new roof for the City museum and other such public improvements (the “Ukiah Community Facilities Acquisition and Improvement Project”); and

WHEREAS, in order to finance the Ukiah Community Facilities Acquisition and Improvement Project, the City wishes to lease to the Authority certain real property (the “2020A Site”) along with the improvements thereon (the “2020A Facilities,” and together with the 2020A Site, the “2020A Leased Facilities”); and

WHEREAS, the 2020A Site is more particularly described in Exhibit A hereto; and

WHEREAS, the Authority has determined to issue its Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the “2020A Bonds”) in the aggregate principal amount of \$ _____, and its Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) in the aggregate principal amount of \$ _____ (the “2020B Bonds,” and together with the 2020A Bonds, the “Bonds”) pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

WHEREAS, the Authority, concurrently with the execution of this 2020A Site Lease, will lease the 2020A Leased Facilities to the City pursuant to a 2020A Lease Agreement, dated as of October 1, 2020 (the “2020A Lease”), by and between the City and the Authority, in consideration for base rental payments (the “2020A Base Rental Payments”); and

WHEREAS, all rights to receive the 2020A Base Rental Payments have been assigned without recourse by the Authority to the Trustee pursuant to a 2020A Assignment Agreement, dated as of the date hereof (the “2020A Assignment Agreement”); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this 2020A Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2020A Site Lease; and

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenant contained herein and for other valuable consideration, the parties hereto do hereby agree as follows:

SECTION 1. DEFINITIONS.

Terms used herein and not otherwise defined herein but defined in the Indenture or the 2020A Lease shall have the meanings ascribed to them in the Indenture or the 2020A Lease, as applicable.

SECTION 2. 2020A SITE LEASE; TERM.

The City hereby leases the 2020A Leased Facilities to the Authority and the Authority hereby leases the 2020A Leased Facilities from the City, on the terms and conditions hereinafter set forth.

The term of this 2020A Site Lease shall commence on October __, 2020, or the date this 2020A Site Lease is recorded in the Official Records of Mendocino County, California, whichever is later, and shall expire on the earliest of (i) the Expiration Date; (ii) the date the last 2020A Base Rental Payment is made under the provisions of the 2020A Lease; or (iii) the date of termination of the 2020A Lease pursuant to Section 2 thereof. Notwithstanding the foregoing, the term of this 2020A Site Lease shall automatically be extended commensurate with any extension of the 2020A Lease.

SECTION 3. RENTAL.

The Authority agrees to pay to the Trustee, on the Closing Date, the proceeds of the 2020A Bonds, as advance rental for the use and right to possession of the 2020A Leased Facilities for the term of this 2020A Site Lease. The rental shall be applied by the Trustee as provided in the Indenture.

SECTION 4. TITLE.

In accordance with the 2020A Lease, the City shall obtain, at its own cost and expense, a CLTA or ALTA policy of title insurance at the time of and dated as of the date of execution and delivery of the 2020A Bonds in an amount not less than the aggregate principal amount of the 2020A Bonds, payable to the Trustee, insuring the respective interests of the City and the Authority in the 2020A Leased Facilities, and insuring the validity of this 2020A Site Lease and the 2020A Lease, issued by a title insurance company qualified to do business in the State of California. Throughout the term of this 2020A Site Lease, title to the 2020A Leased Facilities shall remain in the City.

SECTION 5. DEFAULT.

(a) If the Authority shall fail to keep, observe or perform any term, covenant or condition contained herein to be kept or performed by the Authority, or (b) if (1) the Authority's interest in this 2020A Site Lease or any part thereof is assigned or transferred without the written consent of the City, either voluntarily or by operation of law or otherwise, except as provided in Section 9 hereof, or (2) any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency or similar law providing for the appointment of a receiver, liquidator, trustee or similar official of the Authority or of all or substantially all of its assets is instituted by or with the consent of the Authority, or is instituted without its consent and is not permanently stayed or dismissed within sixty (60) days, or if the Authority offers to the Authority's creditors to effect a composition or extension of time to pay the Authority's debts, or asks, seeks or prays for a reorganization or to effect a plan or reorganization or for readjustment of the Authority's debts, or if the

Authority shall make a general assignment or any assignment for the benefit of the Authority's creditors, then the Authority shall be deemed to be in default hereunder and it shall be lawful for the City to exercise any and all rights and remedies available pursuant to law; provided however, that: (i) no merger of this 2020A Site Lease and of the 2020A Lease shall be deemed to occur as a result thereof; and (ii) so long as any [2020A Bonds][Bonds] remain outstanding the City shall have no power to terminate this 2020A Site Lease by reason of any default on the part of the Authority if such termination would prejudice the exercise of the remedies provided in Section 11 of the 2020A Lease.

Neither the City nor the Authority shall in any event be in default in the performance of any of its obligations hereunder or imposed by law unless and until the City or the Authority (as the case may be) shall have failed to perform such obligations within sixty (60) days after notice by the Authority or the City to the nonperforming party properly specifying wherein such party has failed to perform any such obligation.

SECTION 6. EMINENT DOMAIN.

If the whole or any part of the 2020A Leased Facilities shall be taken under the power of eminent domain, the interest of the Authority shall be recognized and is hereby determined to be the amount of the unpaid principal components of 2020A Base Rental Payments due under the 2020A Lease, and all accrued interest thereon, and the amount of the unpaid Additional Rental Payments due under the 2020A Lease, and the balance of the award, if any, shall be paid to the City.

SECTION 7. RIGHT OF ENTRY.

The City and its assignees shall have the right to enter the 2020A Leased Facilities during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the City's or the Authority's rights or obligations under this 2020A Site Lease, and (c) for all other lawful purposes.

SECTION 8. QUIET ENJOYMENT BY THE AUTHORITY.

The Authority shall at all times during the term of this 2020A Site Lease peaceably and quietly have, hold and enjoy the 2020A Leased Facilities without suit, trouble or hindrance from the City, subject to the rights granted to the City under the Lease, and subject to the Authority's compliance with the terms and provisions hereof.

SECTION 9. ASSIGNMENTS AND SUBLEASES.

The Authority shall not assign, mortgage, hypothecate or otherwise encumber this 2020A Site Lease or any rights hereunder or the leasehold created hereby by trust agreement, indenture or deed of trust or otherwise or sublet the 2020A Leased Facilities without the written consent of the City, except as provided by the 2020A Lease and as security for the [2020A Bonds][Bonds].

SECTION 10. TERMINATION.

The Authority agrees, upon the termination of this 2020A Site Lease, to quit and surrender the 2020A Leased Facilities in the same good order and condition as the same were in at the time of commencement of

the term hereunder, reasonable wear and tear excepted, and the Authority and the City agree that any permanent improvements and structures existing upon the 2020A Leased Facilities at the time of the termination of this 2020A Site Lease shall remain thereon and title thereto shall be vested in the City.

SECTION 11. WAIVER OF PERSONAL LIABILITY.

All liabilities hereunder on the part of the Authority shall be solely liabilities of the Authority as a separate legal entity, and no member, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

SECTION 12. TAXES.

The Authority hereby agrees and covenants to pay, or to cause the City to pay, any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the 2020A Leased Facilities.

SECTION 13. REPRESENTATIONS OF THE CITY.

The City represents and warrants to the Authority and the Trustee:

- (a) the City has the full power and authority to enter into, to execute and to deliver this 2020A Site Lease, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this 2020A Site Lease;
- (b) except for Permitted Encumbrances, the 2020A Leased Facilities is not subject to any dedication, easement, right-of-way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the 2020A Leased Facilities for governmental purposes as contemplated by the City;
- (c) all taxes, assessments or impositions of any kind with respect to the 2020A Leased Facilities, except current taxes, have been paid in full; and (d) the 2020A Leased Facilities are necessary to the City in order for the City to perform its governmental functions.

SECTION 14. REPRESENTATIONS OF THE AUTHORITY.

The Authority represents and warrants to the City and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver this 2020A Site Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution and delivery of this 2020A Site Lease.

SECTION 15. LAW GOVERNING.

This 2020A Site Lease shall be governed exclusively by the provisions hereof and by the laws of the State of California.

SECTION 16. NOTICES.

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests

or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail return receipt requested, postage pre-paid, and, if to the City, addressed to the City Manager, City of Ukiah, 300 Seminary Avenue, Ukiah, CA 95482, or if to the Authority, addressed to the Treasurer, Ukiah Public Financing Authority, 300 Seminary Avenue, Ukiah, CA 95482, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 17. VALIDITY AND SEVERABILITY.

If any one or more of the terms, provisions, covenants or conditions of this 2020A Site Lease shall to any extent be 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 2020A Site Lease shall be affected thereby, and each provision of this 2020A Site Lease shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this 2020A Site Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the City or by the Authority, or if for any reason it is held by such a court that any of the covenants and conditions of the Authority hereunder is unenforceable for the full term hereof, then and in such event this 2020A Site Lease is and shall be deemed to be a lease from year to year and all of the rental and other terms, provisions and conditions of this 2020A Site Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 18. PURPOSE OF 2020A SITE LEASE.

The Authority covenants that during the term of this 2020A Site Lease, except to the extent that other uses may be permitted under the 2020A Lease, it will use or cause the use of, the 2020A Leased Facilities for the purposes described in the 2020A Lease and for such other purposes as may be incidental thereto.

SECTION 19. WAIVER OF DEFAULT.

Failure of the City to take advantage of any default on the part of the Authority shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this 2020A Site Lease be construed to waive or to lessen the right of the City to insist upon performance by the Authority of any term, covenant or condition hereof, or to exercise any rights given the City on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this 2020A Site Lease.

SECTION 20. SECTION HEADINGS.

All section headings contained are for convenience of reference only and are not intended to define or limit the scope of any provision of this 2020A Site Lease.

SECTION 21. AMENDMENTS.

This 2020A Site Lease may be amended in writing as may be mutually agreed by the Authority and

the City.

SECTION 22. EXECUTION; RECORDATION.

This 2020A Site Lease may be executed in any number of counterparts, each of which shall be deemed to an original, but all together shall constitute but one and the same 2020A Site Lease. It is also agreed that separate counterparts of this 2020A Site Lease may separately be executed by the City and the Authority, all with the same force and effect as though the same counterpart had been executed by both the City and the Authority.

This 2020A Site Lease shall be recorded in the Land Records of Mendocino County, California.

[Signature page to follow on next page]

IN WITNESS WHEREOF, the Authority has caused this 2020A Site Lease to be executed in its name by its duly authorized officers; and the City has caused this 2020A Site Lease to be executed in its name by its duly authorized officers, as of the date first above written.

CITY OF UKIAH, CALIFORNIA

By: _____
Sage Sangiacomo, City Manager

Attest:

By: _____
Kristine Lawler, City Clerk

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Daniel Buffalo, Treasurer

Attest:

By: _____
Kristine Lawler, Secretary

EXHIBIT A

DESCRIPTION OF THE 2020A LEASED FACILITIES

ALL THAT CERTAIN REAL PROPERTY (ALONG WITH ALL IMPROVEMENTS, FIXTURES AND FACILITIES AT ANY TIME SITUATED THEREON) SITUATED IN THE CITY OF UKIAH, COUNTY OF MENDOCINO, STATE OF CALIFORNIA, AND ANY IMPROVEMENTS THERETO, DESCRIBED AS FOLLOWS:

AUTHORITY’S CERTIFICATE OF ACCEPTANCE OF 2020A SITE AND FACILITIES LEASE

This is to certify that the interest in real property conveyed by the 2020A Site and Facilities Lease, dated as of October 1, 2020, from the City of Ukiah, California, as lessor, to Ukiah Public Financing Authority (the “Authority”), as lessee, is hereby accepted by the undersigned officer on behalf of the Authority, pursuant to authority conferred by resolution of the Authority, and the Authority consents to recordation thereof by its duly authorized officer.

Dated: October __, 2020

UKIAH PUBLIC FINANCING AUTHORITY

By: _____

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MENDOCINO

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MENDOCINO

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

2020B SITE AND FACILITIES LEASE

Dated as of October 1, 2020

by and between the

UKIAH PUBLIC FINANCING AUTHORITY

and the

CITY OF UKIAH

Relating to the

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)

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EXHIBIT A — DESCRIPTION OF THE 2020B LEASED FACILITIES

2020B SITE AND FACILITIES LEASE

This 2020B Site and Facilities Lease (the “2020B Site Lease”), dated as of October 1, 2020, is made by and between the CITY OF UKIAH, a municipal corporation duly organized and existing under the laws of the State of California (the “City”), as lessor, and the UKIAH PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency, duly organized and existing under the laws of the State of California (the “Authority”), as lessee.

RECITALS:

WHEREAS, the City desires to finance the acquisition, design, construction, installation, renovation, furnishing and/or reimbursement of certain real property and improvements constituting a new customer service center for the City as well as a new roof for the City museum and other such public improvements (the “Ukiah Community Facilities Acquisition and Improvement Project”); and

WHEREAS, in order to finance the Ukiah Community Facilities Acquisition and Improvement Project, the City wishes to lease to the Authority certain real property (the “2020B Site”) along with the improvements thereon (the “2020B Facilities,” and together with the 2020B Site, the “2020B Leased Facilities”); and

WHEREAS, the 2020B Site is more particularly described in Exhibit A hereto; and

WHEREAS, the Authority has determined to issue its Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the “2020A Bonds”) in the aggregate principal amount of \$ _____, and its Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) in the aggregate principal amount of \$ _____ (the “2020B Bonds,” and together with the 2020A Bonds, the “Bonds”) pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

WHEREAS, the Authority, concurrently with the execution of this 2020B Site Lease, will lease the 2020B Leased Facilities to the City pursuant to a 2020B Lease Agreement, dated as of October 1, 2020 (the “2020B Lease”), by and between the City and the Authority, in consideration for base rental payments (the “2020B Base Rental Payments”); and

WHEREAS, all rights to receive the 2020B Base Rental Payments have been assigned without recourse by the Authority to the Trustee pursuant to a 2020B Assignment Agreement, dated as of the date hereof (the “2020B Assignment Agreement”); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this 2020B Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2020B Site Lease; and

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenant contained herein and for other valuable consideration, the parties hereto do hereby agree as follows:

SECTION 1. DEFINITIONS.

Terms used herein and not otherwise defined herein but defined in the Indenture or the 2020B Lease shall have the meanings ascribed to them in the Indenture or the 2020B Lease, as applicable.

SECTION 2. 2020B SITE LEASE; TERM.

The City hereby leases the 2020B Leased Facilities to the Authority and the Authority hereby leases the 2020B Leased Facilities from the City, on the terms and conditions hereinafter set forth.

The term of this 2020B Site Lease shall commence on October __, 2020, or the date this 2020B Site Lease is recorded in the Official Records of Mendocino County, California, whichever is later, and shall expire on the earliest of (i) the Expiration Date; (ii) the date the last 2020B Base Rental Payment is made under the provisions of the 2020B Lease; or (iii) the date of termination of the 2020B Lease pursuant to Section 2 thereof. Notwithstanding the foregoing, the term of this 2020B Site Lease shall automatically be extended commensurate with any extension of the 2020B Lease.

SECTION 3. RENTAL.

The Authority agrees to pay to the Trustee, on the Closing Date, the proceeds of the 2020B Bonds, as advance rental for the use and right to possession of the 2020B Leased Facilities for the term of this 2020B Site Lease. The rental shall be applied by the Trustee as provided in the Indenture.

SECTION 4. TITLE.

In accordance with the 2020B Lease, the City shall obtain, at its own cost and expense, a CLTA or ALTA policy of title insurance at the time of and dated as of the date of execution and delivery of the 2020B Bonds in an amount not less than the aggregate principal amount of the 2020B Bonds, payable to the Trustee, insuring the respective interests of the City and the Authority in the 2020B Leased Facilities, and insuring the validity of this 2020B Site Lease and the 2020B Lease, issued by a title insurance company qualified to do business in the State of California. Throughout the term of this 2020B Site Lease, title to the 2020B Leased Facilities shall remain in the City.

SECTION 5. DEFAULT.

(a) If the Authority shall fail to keep, observe or perform any term, covenant or condition contained herein to be kept or performed by the Authority, or (b) if (1) the Authority's interest in this 2020B Site Lease or any part thereof is assigned or transferred without the written consent of the City, either voluntarily or by operation of law or otherwise, except as provided in Section 9 hereof, or (2) any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency or similar law providing for the appointment of a receiver, liquidator, trustee or similar official of the Authority or of all or substantially all of its assets is instituted by or with the consent of the Authority, or is instituted without its consent and is not permanently stayed or dismissed within sixty (60) days, or if the Authority offers to the Authority's creditors to effect a composition or extension of time to pay the Authority's debts, or asks, seeks or prays for a reorganization or to effect a plan or reorganization or for readjustment of the Authority's debts, or if the

Authority shall make a general assignment or any assignment for the benefit of the Authority's creditors, then the Authority shall be deemed to be in default hereunder and it shall be lawful for the City to exercise any and all rights and remedies available pursuant to law; provided however, that: (i) no merger of this 2020B Site Lease and of the 2020B Lease shall be deemed to occur as a result thereof; and (ii) so long as any [2020B Bonds][Bonds] remain outstanding the City shall have no power to terminate this 2020B Site Lease by reason of any default on the part of the Authority if such termination would prejudice the exercise of the remedies provided in Section 11 of the 2020B Lease.

Neither the City nor the Authority shall in any event be in default in the performance of any of its obligations hereunder or imposed by law unless and until the City or the Authority (as the case may be) shall have failed to perform such obligations within sixty (60) days after notice by the Authority or the City to the nonperforming party properly specifying wherein such party has failed to perform any such obligation.

SECTION 6. EMINENT DOMAIN.

If the whole or any part of the 2020B Leased Facilities shall be taken under the power of eminent domain, the interest of the Authority shall be recognized and is hereby determined to be the amount of the unpaid principal components of 2020B Base Rental Payments due under the 2020B Lease, and all accrued interest thereon, and the amount of the unpaid Additional Rental Payments due under the 2020B Lease, and the balance of the award, if any, shall be paid to the City.

SECTION 7. RIGHT OF ENTRY.

The City and its assignees shall have the right to enter the 2020B Leased Facilities during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the City's or the Authority's rights or obligations under this 2020B Site Lease, and (c) for all other lawful purposes.

SECTION 8. QUIET ENJOYMENT BY THE AUTHORITY.

The Authority shall at all times during the term of this 2020B Site Lease peaceably and quietly have, hold and enjoy the 2020B Leased Facilities without suit, trouble or hindrance from the City, subject to the rights granted to the City under the Lease, and subject to the Authority's compliance with the terms and provisions hereof.

SECTION 9. ASSIGNMENTS AND SUBLEASES.

The Authority shall not assign, mortgage, hypothecate or otherwise encumber this 2020B Site Lease or any rights hereunder or the leasehold created hereby by trust agreement, indenture or deed of trust or otherwise or sublet the 2020B Leased Facilities without the written consent of the City, except as provided by the 2020B Lease and as security for the [2020B Bonds][Bonds].

SECTION 10. TERMINATION.

The Authority agrees, upon the termination of this 2020B Site Lease, to quit and surrender the 2020B Leased Facilities in the same good order and condition as the same were in at the time of commencement of

the term hereunder, reasonable wear and tear excepted, and the Authority and the City agree that any permanent improvements and structures existing upon the 2020B Leased Facilities at the time of the termination of this 2020B Site Lease shall remain thereon and title thereto shall be vested in the City.

SECTION 11. WAIVER OF PERSONAL LIABILITY.

All liabilities hereunder on the part of the Authority shall be solely liabilities of the Authority as a separate legal entity, and no member, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

SECTION 12. TAXES.

The Authority hereby agrees and covenants to pay, or to cause the City to pay, any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the 2020B Leased Facilities.

SECTION 13. REPRESENTATIONS OF THE CITY.

The City represents and warrants to the Authority and the Trustee:

- (a) the City has the full power and authority to enter into, to execute and to deliver this 2020B Site Lease, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this 2020B Site Lease;
- (b) except for Permitted Encumbrances, the 2020B Leased Facilities is not subject to any dedication, easement, right-of-way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the 2020B Leased Facilities for governmental purposes as contemplated by the City;
- (c) all taxes, assessments or impositions of any kind with respect to the 2020B Leased Facilities, except current taxes, have been paid in full; and (d) the 2020B Leased Facilities are necessary to the City in order for the City to perform its governmental functions.

SECTION 14. REPRESENTATIONS OF THE AUTHORITY.

The Authority represents and warrants to the City and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver this 2020B Site Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution and delivery of this 2020B Site Lease.

SECTION 15. LAW GOVERNING.

This 2020B Site Lease shall be governed exclusively by the provisions hereof and by the laws of the State of California.

SECTION 16. NOTICES.

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests

or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail return receipt requested, postage pre-paid, and, if to the City, addressed to the City Manager, City of Ukiah, 300 Seminary Avenue, Ukiah, CA 95482, or if to the Authority, addressed to the Treasurer, Ukiah Public Financing Authority, 300 Seminary Avenue, Ukiah, CA 95482, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 17. VALIDITY AND SEVERABILITY.

If any one or more of the terms, provisions, covenants or conditions of this 2020B Site Lease shall to any extent be 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 2020B Site Lease shall be affected thereby, and each provision of this 2020B Site Lease shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this 2020B Site Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the City or by the Authority, or if for any reason it is held by such a court that any of the covenants and conditions of the Authority hereunder is unenforceable for the full term hereof, then and in such event this 2020B Site Lease is and shall be deemed to be a lease from year to year and all of the rental and other terms, provisions and conditions of this 2020B Site Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 18. PURPOSE OF 2020B SITE LEASE.

The Authority covenants that during the term of this 2020B Site Lease, except to the extent that other uses may be permitted under the 2020B Lease, it will use or cause the use of, the 2020B Leased Facilities for the purposes described in the 2020B Lease and for such other purposes as may be incidental thereto.

SECTION 19. WAIVER OF DEFAULT.

Failure of the City to take advantage of any default on the part of the Authority shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this 2020B Site Lease be construed to waive or to lessen the right of the City to insist upon performance by the Authority of any term, covenant or condition hereof, or to exercise any rights given the City on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this 2020B Site Lease.

SECTION 20. SECTION HEADINGS.

All section headings contained are for convenience of reference only and are not intended to define or limit the scope of any provision of this 2020B Site Lease.

SECTION 21. AMENDMENTS.

This 2020B Site Lease may be amended in writing as may be mutually agreed by the Authority and

the City.

SECTION 22. EXECUTION; RECORDATION.

This 2020B Site Lease may be executed in any number of counterparts, each of which shall be deemed to an original, but all together shall constitute but one and the same 2020B Site Lease. It is also agreed that separate counterparts of this 2020B Site Lease may separately be executed by the City and the Authority, all with the same force and effect as though the same counterpart had been executed by both the City and the Authority.

This 2020B Site Lease shall be recorded in the Land Records of Mendocino County, California.

[Signature page to follow on next page]

IN WITNESS WHEREOF, the Authority has caused this 2020B Site Lease to be executed in its name by its duly authorized officers; and the City has caused this 2020B Site Lease to be executed in its name by its duly authorized officers, as of the date first above written.

CITY OF UKIAH, CALIFORNIA

By: _____
Sage Sangiacomo, City Manager

Attest:

By: _____
Kristine Lawler, City Clerk

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Daniel Buffalo, Treasurer

Attest:

By: _____
Kristine Lawler, Secretary

EXHIBIT A

DESCRIPTION OF THE 2020B LEASED FACILITIES

The Leased Property consists of consists of ___ lane miles of streets in the City.

2020A LEASE AGREEMENT

Dated as of October 1, 2020

by and between the

UKIAH PUBLIC FINANCING AUTHORITY

and the

CITY OF UKIAH

Relating to the

**§ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)**

**§ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)**



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2020A LEASE AGREEMENT

This 2020A Lease Agreement (the “2020A Lease”), dated as of October 1, 2020, is made by and between the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing pursuant to the laws of the State of California (the “Authority”), as sublessor, and the CITY OF UKIAH, a municipal corporation duly organized and existing under the laws of the State of California (the “City”), as sublessee.

RECITALS:

WHEREAS, the City desires to finance the acquisition, design, construction, installation, renovation, furnishing and/or reimbursement of certain real property and improvements constituting a new customer service center for the City and a new roof for the City museum, all as more particularly described in Exhibit A hereto (the “Ukiah Community Facilities Acquisition and Improvement Project”); and

WHEREAS, the City desires that the Authority issue its Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the “2020A Bonds”) for the purposes of, among other things, funding part or all of the Ukiah Community Facilities Acquisition and Improvement Project; and

WHEREAS, the City is obligated by the Public Employees’ Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the “Retirement Law”), to make payments relating to pension benefits accruing to the California Public Employees’ Retirement System’s (“CalPERS”) members, including the City; and

WHEREAS, the City is obligated specifically to make certain payments to CalPERS in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS that amortize such obligations over a fixed period of time (collectively, the “CalPERS Obligation”); and

WHEREAS, the Pension Obligation is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the “CalPERS Contract”); and

WHEREAS, the City desires that the Authority issue its Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) (the “2020B Bonds,” and together with the 2020A Bonds, the “Bonds”) for the purposes of, among other things, prepaying part or all of its CalPERS Obligation (the “CalPERS Prepayment Project,” and together with the Ukiah Community Facilities Acquisition and Improvement Project, the “Project”); and

WHEREAS, in order to finance the Ukiah Community Facilities Acquisition and Improvement Project, the City will lease to the Authority certain real property (the “2020A Site”) and improvements thereon (the “2020A Leased Facilities,” and together with the 2020A Site, the “2020A Leased Property”) pursuant to a 2020A Site and Facilities Lease, dated as of October 1, 2020, between the Authority and City (the “2020A Site Lease”); and

WHEREAS, the 2020A Site is more particularly described in Exhibit A hereto; and

WHEREAS, the Authority has determined to issue its (i) 2020A Bonds in the aggregate principal amount of \$_____ pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and (ii) 2020B Bonds in the aggregate principal amount of \$_____ pursuant to the Indenture; and

WHEREAS, the Authority, pursuant to this 2020A Lease, will sublease the 2020A Leased Facilities to the City, in consideration for base rental payments to be made by the City pursuant to this 2020A Lease, in accordance with the base rental schedule attached hereto as Exhibit B, that corresponds in amount to the principal and interest coming due with respect to the 2020A Bonds (the “2020A Base Rental Payments”); and

WHEREAS, all rights to receive the 2020A Base Rental Payments have been assigned without recourse by the Authority to the Trustee pursuant to a 2020A Assignment Agreement, dated as of October 1, 2020, between the Authority and Trustee (the “2020A Assignment Agreement”); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this 2020A Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2020A Lease;

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

SECTION 1. DEFINITIONS

Terms used herein and not otherwise defined herein but defined in the Indenture shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this 2020A Lease, have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined:

“*Additional Rental Payments*” means Additional Rental Payments due under Section 3(b) hereof.

“*2020A Base Rental Payments*” means 2020A Base Rental Payments and any additional base rental payments made hereunder to support Additional Bonds issued in accordance with the Indenture.

“*Expiration Date*” means October 1, 20__, being the final scheduled maturity date of the Bonds, unless extended or sooner terminated as provided in Section 2 hereof.

“*2020A Facilities*” means all improvements, fixtures and facilities at any time situated on the 2020A Site.

“*Indenture*” means the Indenture dated as of October 1, 2020, by and between the Trustee and the Authority.

“*Interest Component*” means interest component of any 2020A Base Rental Payments as set forth in Exhibit B hereto.

“*Interest Payment Date*” means April 1 and October 1 of each year, commencing April 1, 2021, so long as any Bonds are Outstanding.

“*2020A Lease*” means this 2020A Lease Agreement.

“*2020A Leased Facilities*” means, collectively, the 2020A Site and 2020A Facilities, as more fully described in Exhibit A hereto, as such Exhibit A may be revised and amended from time to time pursuant to the terms of the Indenture and of this 2020A Lease.

“*2020A Lease Payment Date*” means, with respect to any Interest Payment Date, the 25th day of the month immediately preceding each Interest Payment Date.

“*Net Proceeds*” means any insurance or condemnation proceeds, paid with respect to the 2020A Leased Facilities remaining after payment therefrom of all expenses in the collection thereof.

“*Permitted Encumbrances*” means, with respect to the 2020A Leased Facilities, as of any particular time, (i) to the extent in effect on the Closing Date, the right, title and interest of the City to the 2020A Leased Facilities and the existing interests of the Authority to the 2020A Leased Facilities as lessee of the City, and the existing interests of the City in the 2020A Leased Facilities as lessee of the Authority; (ii) the 2020A Site Lease; (iii) this 2020A Lease, (iv) the Indenture, the Assignment Agreement and the Trustee’s and the Authority’s interests in the 2020A Leased Facilities, (v) liens for taxes and assessments not then delinquent, (vi) utility, access and other easements and rights of way, restrictions and exceptions that a City Representative certifies will not interfere with or impair the use intended to be made of the 2020A Leased Facilities; (vii) any additions and improvements to the 2020A Leased Facilities as permitted in this 2020A Lease; (viii) any sublease or use permitted by this 2020A Lease, (ix) covenants, conditions or restrictions or liens of record relating to the 2020A Leased Facilities and existing on the Closing Date; (x) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the 2020A Leased Facilities and as do not materially impair the use intended to be made of property affected thereby, and (xi) any encumbrances listed in the preliminary title report issued pursuant to Section 8 hereof.

“*Principal Component*” means the principal component of any 2020A Base Rental Payments as set forth in Exhibit B hereto.

“*Rental Period*” means each period during the Term of this 2020A Lease commencing on and including the day immediately following an Interest Payment Date and extending to and including the next succeeding Interest Payment Date.

“*2020A Site*” means the real property described in Exhibit A hereto.

SECTION 2. TERM

The Authority hereby leases to the City and the City hereby leases from the Authority, on the terms and conditions hereinafter set forth, the 2020A Leased Facilities.

The term of this 2020A Lease shall commence on October __, 2020, or the date this 2020A Lease is recorded, whichever is later, and shall expire on the later of (i) the Expiration Date; (ii) the date the last 2020A Base Rental Payment is made under the provisions hereof; or (iii) the date of discharge of all of the Bonds and Additional Bonds pursuant to Section 9.03 of the Indenture. Notwithstanding the foregoing, the term of this 2020A Lease shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Bonds and any Additional Bonds have not been fully discharged, and shall terminate on the date when the Bonds and any Additional Bonds have been fully discharged.

SECTION 3. RENTAL

Subject to the provisions of Sections 12 and 17 hereof, the City agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the 2020A Leased Facilities, the following amounts at the following times:

(a) 2020A Base Rental Payments; Additional Base Rental Payments. The City agrees to pay to the Trustee, as assignee of the Authority, the 2020A Base Rental Payments (denominated into Principal Components and Interest Components) in accordance with the 2020A Base Rental Payment Schedule attached hereto as Exhibit B, in the respective amounts specified in Exhibit B attached hereto and by this reference incorporated herein, to be due and payable on the Interest Payment Dates immediately following each of the respective 2020A Lease Payment Dates, and to be deposited by the City with the Trustee on each of the 2020A Lease Payment Dates. Any amount held in the 2020A Lease Revenue Fund on any 2020A Lease Payment Date (other than amounts resulting from the prepayment of the Principal Components in part but not in whole pursuant to Section 12 hereof and other than amounts required for payment of past due Principal Components or Interest Components represented by any Bonds not presented for payment) shall be credited towards the 2020A Base Rental Payment then required to be paid hereunder; and no 2020A Base Rental Payment need be deposited with the Trustee on any 2020A Lease Payment Date if the amounts then held in the 2020A Lease Revenue Fund are at least equal to the 2020A Base Rental Payment then required to be deposited with the Trustee. The 2020A Base Rental Payments payable in any Rental Period shall be for the use of the 2020A Leased Facilities during such Rental Period.

The obligation of the City to pay the 2020A Base Rental Payments with respect to the 2020A Bonds and the 2020B Bonds shall rank *pari passu* with each other as well as with the obligation of the City to pay 2020A Base Rental Payments with respect to any Additional Bonds. Upon and after the issuance of any Additional Bonds secured by base rental payments with respect to the 2020A Leased Facilities, the City shall pay the 2020A Base Rental Payments with respect to such Additional Bonds as provided in the Supplemental Indenture for such Additional Bonds, in accordance with the additional base rental payment schedule which shall be attached hereto as an additional exhibit prior to the delivery of such Additional Bonds, as adjusted for any prepayments.

(b) Additional Rental Payments. The City shall also pay, as “Additional Rental Payments” hereunder, in addition to the 2020A Base Rental Payments and any base rental payments hereunder made with respect to Additional Bonds, to the Trustee, as assignee of the Authority, as hereinafter provided, such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or

provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of this 2020A Lease or the assignment hereof, the Indenture, or the Authority's or the Trustee's respective interests in the 2020A Leased Facilities, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the 2020A Leased Facilities (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Such Additional Rental Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within thirty (30) days after receipt of the bill by the City.

(c) Fair Rental Value. Payments of 2020A Base Rental Payments and Additional Rental Payments for each rental payment period shall constitute the total rental for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the 2020A Leased Facilities during each such period for which said rental is to be paid. The City represents and covenants that the useful life of the 2020A Leased Facilities is not shorter than the final maturity of the Bonds. The parties to this 2020A Lease specifically acknowledge that the annual fair rental value of the 2020A Leased Facilities is in excess of the maximum annual 2020A Base Rental Payments, and that any "discount" of 2020A Base Rental Payments below fair market value is in recognition of the unique characteristics of the 2020A Leased Facilities. In making such determination, consideration has been given to other obligations of the parties under this 2020A Lease, the uses and purposes which may be served by the 2020A Leased Facilities and the benefits therefrom which will accrue to the City and the general public. The determination of fair rental value of the 2020A Leased Facilities pursuant to this paragraph shall not be deemed to be controlling in connection with a determination of fair value of the 2020A Leased Facilities by the parties hereto for any other purpose.

(d) Payment of 2020A Base Rental. Each installment of 2020A Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate. Notwithstanding any dispute between the City and the Authority, the City shall make all 2020A Base Rental Payments when due, without deduction or offset of any kind, and shall not withhold any 2020A Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said 2020A Base Rental Payments or any portion thereof, said 2020A Base Rental Payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent 2020A Base Rental Payments due hereunder or be refunded at the time of such determination.

(e) Increases in Aggregate 2020A Base Rental Payments. The City covenants that it shall not permit an increase in the aggregate 2020A Base Rental Payments or permit additional base rental payments with respect to Additional Bonds without first obtaining an opinion of Bond Counsel to the effect that the incurring of such increased 2020A Base Rental Payments will not (i) impair the validity and enforceability of this 2020A Lease and (ii) in and of itself impair the exclusion of interest on the 2020A Bonds and, to the extent applicable, any Additional Bonds (that are intended to be Tax-Exempt), from the gross income of the owners thereof for federal income tax purposes.

(f) Covenant to Budget and Appropriate. The City covenants to take such action as may be necessary to include all 2020A Base Rental Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such 2020A Base Rental Payments, subject only to abatement as provided in Section 17 hereof. The City will furnish to the Authority annually, on or before September 1, a certificate stating that it has complied with the covenant set forth in this paragraph. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this 2020A Lease agreed to be carried out and performed by the City.

The obligation of the City to make 2020A Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds (or any Additional Bonds) nor the obligation of the City to make 2020A Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 4. USE OF PROCEEDS

The parties hereto agree that the proceeds of the 2020A Bonds will be used for the purposes of funding the Ukiah Community Facilities Acquisition and Improvement Project and the costs of issuing the 2020A Bonds.

SECTION 5. MAINTENANCE, UTILITIES, TAXES AND ASSESSMENTS

During such time as the City or any assignee or sublessee thereof is in possession of the 2020A Leased Facilities, all maintenance and repair, ordinary or extraordinary, of the 2020A Leased Facilities shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the 2020A Leased Facilities, (b) the cost of operation of the 2020A Leased Facilities, and (c) the costs of maintenance of and repair to the 2020A Leased Facilities resulting from regulatory mandate and ordinary wear and tear or want of care on the part of the City. The City shall at the City's sole cost and expense keep and maintain the 2020A Leased Facilities clean and in a safe and good condition and repair. The Authority shall have no obligation to alter, remodel, improve, repair, decorate, or paint the 2020A Leased Facilities or any part thereof (except as may be required by regulatory mandate), and the parties hereto affirm that the Authority has made no representations or warranties to the City respecting the condition of the 2020A Leased Facilities.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the 2020A Leased Facilities. The Authority has no responsibility or obligation whatsoever to construct any improvements modification or alteration to the 2020A Leased Facilities.

The City waives the right to make repairs at the Authority's expense under Subsection 1 of Section 1932, Sections 1941 and 1942 of the California Civil Code, or any other such law, statute, or ordinance now or hereafter in effect.

The parties hereto contemplate that the 2020A Leased Facilities will be used for public purposes by the City and, therefore, that the 2020A Leased Facilities will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the Authority or the City of the 2020A Leased Facilities is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively became due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the 2020A Leased Facilities and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the 2020A Leased Facilities; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this 2020A Lease is in effect.

SECTION 6. CHANGES TO THE 2020A LEASED FACILITIES

The City shall have the right during the term of this 2020A Lease to acquire and construct improvements or to attach fixtures, structures or signs to the 2020A Leased Facilities if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the 2020A Leased Facilities by the City; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the 2020A Leased Facilities, reduce the fair rental value thereof or substantially alter the nature of the 2020A Leased Facilities.

Upon termination of this 2020A Lease, the City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the 2020A Leased Facilities, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

SECTION 7. SUBSTITUTION OR RELEASE OF 2020A LEASED FACILITIES

The City shall have, so long as this 2020A Lease is in effect, and is hereby granted, the option at any time and from time to time, to substitute other real property (the "Substitute 2020A Leased Facilities") for any portion of the 2020A Leased Facilities (the "Former 2020A Leased Facilities") or release any identifiable real property and/or improvements currently constituting the 2020A Leased Facilities (in such case, Substitute 2020A Leased Facilities shall mean the Former 2020A Leased Facilities less any portion released pursuant to this Section); provided that the City shall satisfy all of the following requirements, which are hereby declared to be conditions precedent to such substitution and/or release:

- (a) No Event of Default shall have occurred and be continuing;
- (b) The City shall file with the Authority and the Trustee, and cause to be recorded in the office of the Mendocino County Recorder, sufficient memorialization of amendments to this 2020A Lease and the 2020A Site Lease which replaces Exhibit A hereto, and Exhibit A to the 2020A Site Lease, with a description of such Substitute 2020A Leased Facilities which deletes therefrom the description of the Former 2020A Leased Facilities;
- (c) The City shall obtain a California Land Title Association ("CLTA") or American Land Title Association ("ALTA") policy of title insurance insuring the City's fee or leasehold estate in such Substitute

2020A Leased Facilities, the City's leasehold estate hereunder, and the Authority's leasehold estate under the 2020A Site Lease in such Substitute 2020A Leased Facilities, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to Substitute 2020A Leased Facilities that consists only of Former 2020A Leased Facilities less any released portion;

(d) The City shall certify in writing to the Authority and to the Trustee that such Substitute Property serves an essential governmental function and constitutes property which the City is permitted to lease under the laws of the State of California;

(e) The substitution of the Substitute 2020A Leased Facilities shall not cause the City to violate any of its covenants, representations and warranties made herein;

(f) The City shall file with the Authority and the Trustee a written certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute 2020A Leased Facilities after substitution or release will be at least equal to 100% of the maximum amount of the 2020A Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year, and that the useful economic life of the Substitute 2020A Leased Facilities shall be at least equal to the maximum remaining term of this 2020A Lease; and

(g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under this 2020A Lease and will not in and of itself (i) impair the validity and enforceability of this 2020A Lease or (ii) impair the exclusion of interest on the 2020A Bonds, and, if applicable, any Additional Bonds (that are intended to be Tax-Exempt), from the gross income of the owners thereof for federal income tax purposes.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a written certification of the City certifying that the conditions set forth in subsections (a), (c) and (e) of this Section have been satisfied, the Term of this 2020A Lease shall thereupon end as to the Former 2020A Leased Facilities and shall thereupon commence as to the Substitute 2020A Leased Facilities, and all references to the Former 2020A Leased Facilities shall apply with full force and effect to the Substitute 2020A Leased Facilities. The City shall not be entitled to any reduction, diminution, extension or other modification of the 2020A Base Rental Payments whatsoever as a result of such substitution or release hereunder. The City and the Authority shall execute, deliver and cause to be recorded all documents required to properly discharge this 2020A Lease lien of record against the Former 2020A Leased Facilities.

SECTION 8. TITLE INSURANCE

The City shall provide, at its own expense, one or more CLTA or ALTA title insurance policies for the 2020A Leased Facilities, in the aggregate amount of not less than the aggregate initial principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the City in the 2020A Leased Facilities, (b) the Authority's ground leasehold estate in the 2020A Leased Facilities under the 2020A Site Lease, and (c) the City's leasehold estate hereunder in the 2020A Leased Facilities, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be applied as provided in Section 10 hereof. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained

pursuant hereto or required hereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

SECTION 9. INSURANCE

(a) Liability Insurance. The City shall procure (or cause to be procured) and maintain (or cause to be maintained), throughout the term of this 2020A Lease, reasonable and customary general liability insurance, naming as additional insured the Authority, the Trustee, and their directors, officers, agents and employees, insuring against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the use or operation of the 2020A Leased Facilities. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

(b) Workers Compensation Insurance. The City shall at all times comply with the workers' compensation insurance laws of the State of California to the extent applicable to the City.

(c) Fire and Extended Coverage Insurance. The City shall procure (or cause to be procured) and maintain (or cause to be maintained), throughout the term of this 2020A Lease, insurance against loss or damage to any part of the 2020A Leased Facilities against all perils included within the classification of fire, lightning, and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a \$100,000 loss deductible provision. Said fire and extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, sprinkler damage, boiler explosion and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to 100% of the replacement cost of the improvements on the 2020A Leased Facilities. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City, provided that coverage pursuant to this subsection shall apply exclusively to the 2020A Leased Facilities, and payment of insurance proceeds shall not be contingent upon the degree of damage sustained at other facilities owned or leased by the City.

(d) Rental Interruption Insurance. The City shall procure (or cause to be procured) and maintain (or cause to be maintained), throughout the term of this 2020A Lease, rental interruption insurance to cover loss, total or partial, of the use of any part of the 2020A Leased Facilities as the result of any of the hazards covered in the insurance required by subsection (c) of this Section and the resulting loss of rental income to the Trustee, as assignee of the Authority, in an amount sufficient to pay the maximum remaining principal and interest portions of 2020A Base Rental due under this 2020A Lease during a period equal to the greater of (i) two times Maximum Annual Debt Service, and (ii) the period certified by the City to be reasonably required to rebuild or reconstruct the 2020A Leased Facilities in the event of damage or destruction to the 2020A Leased Facilities. The Net Proceeds of such insurance shall be paid to the Trustee for deposit in the 2020A Lease Revenue Fund and shall be credited towards the payment of 2020A Base Rental in the order in which such 2020A Base Rental Payments become due and payable. The City covenants and agrees to use its best efforts to provide sufficient construction funds and to make all required payments hereunder, in excess of the available rental interruption insurance, if necessary, in order to ensure completion of the reconstruction, repair, restoration, modification or improvement of the 2020A Leased Facilities.

(e) Self-Insurance. Except for the insurance required by subsection (d) of this Section (rental interruption insurance), for which the City may not provide self-insurance, as an alternative to providing

the insurance required by this Section the City may provide a self-insurance method or plan of protection (but only from a special fund of the City or other source for which the General Fund of the City is not in any fashion obligated nor to which the City is otherwise obligated to make payments), covering one or all of the insurance coverage's required to be provided by subsections (a), (b) and (c) of this Section, so long as such self-insurance method or plan of protection shall afford reasonable protection to the Authority and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by cities in the State other than the City.

(f) Net Proceeds of Insurance; Form of Policies. The policy of insurance required by subsections (c) and (d) of this Section shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement, and shall name the City, the Authority and the Trustee as insureds. The Net Proceeds of policies of insurance under subsection (c) of this Section shall be applied as provided in Section 10 hereof. All policies of insurance required by this 2020A Lease and any statements of self-insurance shall be in form satisfactory to the Authority. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this 2020A Lease and shall promptly furnish or cause to be furnished evidence of such payments to the Authority and the Trustee. All such policies shall provide that the Authority and the Trustee shall be given thirty (30) days' notice of each expiration, and any intended cancellation thereof or reduction of the coverage provided thereby. The City shall deliver to the Trustee on or before the Closing Date and each anniversary of the Closing Date a certificate that all insurance required under this 2020A Lease is in full force and effect. In the event that the City obtains insurance through a pooled insurance program of governmental entities, an annual statement or memorandum of coverage delivered to the Authority and the Trustee will satisfy the requirements of this subsection. The Trustee and the Authority shall not be responsible for the sufficiency of any insurance herein required or payment of premium and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(g) Advances. If the City shall fail to perform in any of its obligations under this Section, then the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money on behalf of the City, and the City shall be obligated to repay all such advances as soon as possible.

(h) Waivers of Subrogation. Each of the parties hereby waives any and all rights to recovery against the other or against any other tenant or occupant of the 2020A Leased Facilities, or against the officers, employees, agents, representatives, customers, and business visitors of such other party or of such other tenant or occupant of the 2020A Leased Facilities, for loss or damage to such waiving party or its property or the property of others under its control, arising from any cause insured against under the standard form of property damage insurance policy with all permissible extensions and endorsements covering extended perils or under any other policy of insurance carried by such waiving party in lieu thereof, to the extent such policies then in force permit such waiver.

SECTION 10. DAMAGE, DESTRUCTION AND CONDEMNATION; APPLICATION OF NET PROCEEDS

If prior to the termination of the term hereof (a) the 2020A Leased Facilities is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the 2020A Leased Facilities or the estate of the Authority or the City in the 2020A Leased Facilities or any portion shall be

taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the 2020A Leased Facilities or portion thereof, in accordance with the provisions of this Section 10. If Net Proceeds are insufficient to repair or replace the 2020A Leased Facilities or portion thereof, the City shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments pursuant to Section 17 hereof as a result of such casualty or event, and the City elects pursuant to Section 12(a) hereof to apply such insurance proceeds and such other sums as are deposited by the City pursuant to such Section to the prepayment of 2020A Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the 2020A Leased Facilities, then this 2020A Lease shall terminate with respect to the destroyed or damaged portion of the 2020A Leased Facilities as of the later of the date of such election by the City or the date the amount required by Section 12(a) hereof is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may hereinafter be in force during the term of this 2020A Lease which authorizes the termination of this 2020A Lease upon the partial or complete destruction of the 2020A Leased Facilities, are hereby waived by the City.

The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds and any Additional Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the 2020A Leased Facilities. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the 2020A Leased Facilities, the value of the 2020A Leased Facilities shall not be less than the greater of (i) if Outstanding Bonds are then subject to redemption, the principal and interest due on the Outstanding Bonds through the date of their redemption, or (ii) if such Outstanding Bonds are not then subject to redemption, the amount necessary to defease such Outstanding Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any Net Proceeds with the Trustee for deposit into the: (a) 2020A Insurance and Condemnation Fund if the City elects to repair the 2020A Leased Facilities, or (b) the Redemption Fund if the City elects to redeem the Outstanding Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the 2020A Leased Facilities or use insurance and condemnation award proceeds received to redeem such Bonds. To the extent that the City determines not to repair the 2020A Leased Facilities and cannot use insurance and condemnation award proceeds to redeem such Bonds, the City shall and hereby covenants to expeditiously substitute property for such 2020A Leased Facilities of equivalent or greater value in accordance with the provisions of Section 7 hereof. If the City determines to repair the 2020A Leased Facilities, disbursements by the Trustee shall only be made upon presentation of a requisition in a form substantially similar to Exhibit C of the Indenture. If the City determines to cause the redemption of less than the full amount of the Outstanding Bonds, such redemption shall only be made to the extent the remaining fair rental value of the 2020A Leased Facilities is not less than the remaining 2020A Base Rental Payments supporting debt service on the Outstanding Bonds.

SECTION 11. DEFAULT

(a) Each of the following events constitutes an Event of Default hereunder:

(1) Failure by the City to pay any 2020A Base Rental Payment or other payment (including Additional Rental Payments) required to be paid hereunder at the time specified herein.

(2) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding subsection (1), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority. However, if the City notifies the Authority 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 City 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; provided, that such cure period shall not extend beyond 60 days.

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

The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

(b) Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this 2020A Lease. Notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the 2020A Base Rental Payments or otherwise declare any 2020A Base Rental Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; provided, that no termination of this 2020A Lease will 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 Authority may exercise each and every one of the following remedies:

(1) *Enforcement of Payments Without Termination.* If the Authority does not elect to terminate this 2020A Lease in the manner hereinafter provided for in subsection (b)(2) of this Section, the City agrees to remain liable for the payment of all 2020A Base Rental Payments and the performance of all conditions herein contained, and the Authority may take whatever action at law or in equity may appear necessary or desirable, to collect each 2020A Base Rental Payment as it becomes due hereunder; *provided, however,* that it is expressly understood and agreed that repossession or re-leasing of the 2020A Leased Facilities is not a remedy hereunder or under the 2020A Site Lease.

(2) *Termination of 2020A Lease.* If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this 2020A Lease, in which case the City

nevertheless agrees to pay to the Authority 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 2020A Base Rental 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 Authority will of itself operate to terminate this 2020A Lease, and no termination of this 2020A Lease on account of default by the City will be or become effective by operation of law, or otherwise, unless and until the Authority has given written notice to the City of the election on the part of the Authority to terminate this 2020A Lease. The City agrees that no surrender of the 2020A Leased Facilities, or of the remainder of the term hereof or any termination of this 2020A Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(3) *Proceedings at Law or In Equity.* If an Event of Default occurs and continues hereunder, the Authority 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.

(4) *Remedies under the 2020A Site Lease.* If an Event of Default occurs and continues hereunder, the Authority may exercise its rights under the 2020A Site Lease.

SECTION 12. PREPAYMENT AND CREDITS

(a) *Prepayment from Net Proceeds.*

(1) The City may prepay, from Net Proceeds of insurance or a condemnation award received by it pursuant to Section 10, the Principal Component of 2020A Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any date, pursuant to Section 10 hereof, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

(2) Prepayments made pursuant to this subsection (a) shall be allocated pro rata among the Principal Components of 2020A Base Rental Payments relating to the Bonds and any Additional Bonds.

(b) *Optional Prepayment.* The City may at its option prepay from any source of available moneys for redemption of Bonds on any Business Day pursuant to Section 2.03(b) of the Indenture, all or any part (in an integral multiple of \$5,000) of the Principal Component of 2020A Base Rental Payments then unpaid, so that the aggregate annual amounts of principal component of 2020A Base Rental which shall be payable after such prepayment date shall each be an integral multiple of \$5,000, at a prepayment price equal to the sum of the principal component prepaid plus interest accrued with respect thereto to the date of prepayment, without premium.

Before making any prepayment pursuant to this Section, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the City hereby agree that any prepayment in part under this Section and any redemption of Bonds by the Authority pursuant to Section 2.03(b)(i) or Section 2.03(b)(ii) of the Indenture shall be credited towards the City's obligations hereunder at the option of the City in any manner determined in writing delivered to the Trustee by the City. A prepayment made pursuant to this Section shall not cause a defeasance of any Bonds unless the requirements of Section 9.03 of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all 2020A Base Rental Payments, such that this 2020A Lease shall be terminated by its terms as provided in Section 2, all amounts then on deposit under the Indenture which are to be credited to the City's obligations to make 2020A Base Rental Payments shall be credited towards the amounts then required to be so prepaid. In the event of the prepayment of some but not all of the Principal Components of the 2020A Base Rental Payments, the City shall replace the applicable 2020A Base Rental Schedule with a revised 2020A Base Rental Payment Schedule reflecting such prepayment of the Principal Components of such 2020A Base Rental Payments.

SECTION 13. MECHANICS' LIENS

In the event the City shall at any time during the term of this 2020A Lease cause any improvements or other work to be done or performed or materials to be supplied, in or upon the 2020A Leased Facilities, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the 2020A Leased Facilities and which may be secured by any mechanics', materialmen's or other liens against the 2020A Leased Facilities or the Authority's interest therein, and will cause any such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

SECTION 14. QUIET ENJOYMENT

The parties hereto mutually covenant that the City, so long as it keeps and performs the covenants and agreements herein contained, shall at all times during the term of this 2020A Lease peaceably and quietly have, hold and enjoy the 2020A Leased Facilities without suit, trouble or hindrance from the Authority.

SECTION 15. INDEMNIFICATION

The City shall, to the full extent then permitted by law, indemnify, defend, protect and hold harmless the Authority and its members, officers and employees and the Trustee from and against any and all liabilities, obligations, losses, claims and damages whatsoever regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest (i) arising out of or as the result of the entering into of this 2020A Lease and the Indenture, the payment of the costs of acquiring the 2020A Leased Facilities or any accident in connection with the operation, use, condition or possession of the 2020A Leased Facilities or any portion thereof resulting in damage to property or injury to or death to any person, but excluding any loss arising out of the intentional malfeasance or gross negligence of the Trustee or its officers, and (ii) with regard to the Trustee, arising out of or in the exercise and performance of the Trustee's powers and duties hereunder and the Indenture. The indemnification arising

under this section and compensation under Section 3(b) hereof shall continue in full force and effect notwithstanding the full payment of all rent obligations hereunder or the termination hereof for any reason or the resignation or removal of the Trustee. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions breakdowns or infirmities of the 2020A Leased Facilities. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

SECTION 16. ASSIGNMENT

The parties understand that this 2020A Lease and the rights of the Authority hereunder, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the 2020A Assignment Agreement, to which assignment the City hereby consents.

Neither this 2020A Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided, subject to the provisions of Section 18 hereof, that the 2020A Leased Facilities may be subleased in whole or in part by the City, but only subject to the following conditions, which are hereby made conditions precedent to any such sublease:

(a) This 2020A Lease and the obligation of the City to make all 2020A Base Rental Payments and Additional Rental Payments hereunder shall remain the sole obligation of the City;

(b) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the 2020A Leased Facilities to be used for a primary purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California, as evidenced by a Certificate of the City that is delivered to the Trustee;

(d) Any sublease of the 2020A Leased Facilities by the City shall explicitly provide that such sublease is subject to all rights of the Authority under this 2020A Lease; and

(e) The City shall have filed or caused to be filed with the Authority and the Trustee an opinion of Bond Counsel to the effect that such sublease will not, in and of itself, cause the interest on the 2020A Bonds and any Additional Bonds (that are intended to be Tax-Exempt) to be included in gross income for federal income tax purposes.

SECTION 17. ABATEMENT OF RENTAL

The obligation of the City to pay 2020A Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the use and occupancy of the 2020A Leased Facilities or any portion thereof by the City. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the 2020A Leased Facilities, and ending with the substantial completion of the work of repair or replacement of the 2020A

Leased Facilities, or the portion thereof so damaged or destroyed, and the term of this 2020A Lease shall be extended as provided in Section 2 hereof.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of 2020A Base Rental Payments in any of the funds and accounts established under the Indenture, such 2020A Base Rental Payments shall not be abated but shall be payable by the City as a special obligation payable solely from such funds and accounts.

In the event of any such damage or destruction, this 2020A Lease continues in full force and effect and the City waives any right to terminate this 2020A Lease by virtue of any such damage and destruction.

SECTION 18. COVENANTS OF THE CITY REGARDING TAX EXEMPT STATUS OF THE 2020A BONDS

(a) *Special Definitions.* When used in this Section, the following terms have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations, and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the 2020A Bonds.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nongovernmental Output Property*” means any property (or interest therein) that prior to its acquisition by the City was used by (or manufactured for or to the order of or held for the use by) any Nongovernmental Person (whether actually so used or not) in connection with any electric and gas generation, transmission, distribution, or related facilities.

“*Nongovernmental Person*” refers to any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, or an agency or instrumentality acting solely on behalf thereof.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the 2020A Bonds are invested and that is not acquired to carry out the governmental purposes of the 2020A Bonds.

“*Original Facilities*” means any property the acquisition, construction or improvement of which is financed directly or indirectly with Gross Proceeds of the 2020A Bonds.

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or under the provisions of any predecessor statute corresponding thereto.

“Yield” of (1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and (2) the 2020A Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Fail to Be Excluded from Gross Income. The City covenants that it will not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the 2020A Bonds to fail to be excluded pursuant to section 103(a) of the Code from the gross income, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any 2020A Bond, the City will comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2020A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City covenants that at all times prior to the payment and cancellation of the last 2020A Bond to be paid and canceled:

(1) it will use its best efforts to ensure that the City (or another entity other than a Nongovernmental Entity) exclusively owns, operates and possesses all of the facilities that are to be financed directly or indirectly with Gross Proceeds of the 2020A Bonds, and that it will not use or permit the use of such Gross Proceeds (including under any contractual arrangement with terms different than those applicable to the general public) or the Original Facilities in any activity carried on by any Nongovernmental Person, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2020A Bonds, other than interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

Without limiting the foregoing, except as would not cause any 2020A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City will not: (i) permit any Nongovernmental Person to hold any ownership, proprietary or possessory interest in any of the Original Facilities; (ii) contract with any Nongovernmental Person for the provision of operating or other services with respect to any function of an Original Facility (unless either (A) such arrangement requires no payment of fees to such Nongovernmental Person other than as direct reimbursement of third party costs or reasonable administrative overhead, or (B) such arrangement conforms to administrative guidance of the Internal Revenue Service in order to assure that such arrangement does not create a private business use relationship of the Nongovernmental Person to the Gross Proceeds of the 2020A Bonds or to any Original Facility); or (iii) contract with any Nongovernmental Person for the sale of output or capacity of an Original Facility that is an output facility, unless such contract is described either in section 1.141-7(c) of the Treasury Regulations (describing certain types of output contracts that do not have the effect of transferring the benefits of owning the property and the burdens of paying debt service on the financing of the property) or in section 1.141-7(f) of the Treasury Regulations (describing certain types of output contracts that while having the effect of transferring such benefits and burdens but nevertheless may be disregarded in evaluating private business use).

(d) No Private Loan. Except as would not cause any 2020A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City has not used, and will not use, Gross Proceeds of any 2020A Bond to make or finance loans to any Nongovernmental Person. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause any 2020A Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the City shall not at any time prior to the final maturity of the 2020A Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such 2020A Bond within the meaning of said section 148.

(f) Not Federally Guaranteed. The City covenants that, except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, it will not take or omit to take any action that would cause any 2020A Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The City covenants that it will timely file or cause to be filed any information required by section 149(e) of the Code with respect to the 2020A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) it will account for all Gross Proceeds of the 2020A Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2020A Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the 2020A Bonds with its other money, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith;

(2) not less frequently than each Computation Date, it will calculate or cause to be calculated the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the City’s determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation of determination or to review the City’s calculations hereunder. The City covenants that it will maintain a copy of the calculation with its

official transcript of proceedings relating to the issuance of the 2020A Bonds until six years after the final Computation Date;

(3) it will deposit in the Rebate Fund and cause the Trustee to pay to the United States the amount that when added to the future value of previous rebate payments made for the 2020A Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such a date. In all cases such Rebate payments shall be made by the City (or by the Trustee at the direction of the City) at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and such payments shall be accompanied by Form 8038-T executed by the City or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder; and

(4) it will exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(i) Not to Divert Arbitrage Profits. The City covenants that, except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, at no time prior to the final maturity of the 2020A Bonds will it enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the 2020A Bonds not been relevant to each party.

(j) 2020A Bonds Not Hedge Bonds.

(1) The City represents and covenants that the 2020A Bonds will not be "hedge bonds" within the meaning of section 149(g) of the Code.

(2) Without limitation of paragraph (1) above, the City warrants that: (I) on date of issuance of the 2020A Bonds, the City reasonably expects that at least 85% of the spendable proceeds of the 2020A Bonds will be expended within the three-year period commencing on such date of issuance, and (II) no more than 50% of the proceeds of the 2020A Bonds at any time will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Use of Proceeds; Weighted Average Maturity. The City hereby represents and covenants that it will apply the proceeds of the 2020A Bonds in a manner so that the weighted average maturity of the 2020A Bonds does not exceed 120% of the average reasonably expected remaining economic life of the 2020A Leased Facilities (all determined in accordance with the provisions of section 147(b) of the Code).

(l) Elections. The City hereby directs and authorizes any Responsible Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Responsible

Officer (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2020A Bonds, in the Tax Certificate relating to the 2020A Bonds or similar or other appropriate certificate, form or document.

(m) Closing Certificate. The City agrees to execute and deliver in connection with the execution and delivery of this 2020A Lease a Tax Certificate as to Arbitrage and the provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, or similar document containing additional representations and covenants pertaining to the exclusion of the interest on the 2020A Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

SECTION 19. OTHER COVENANTS OF THE CITY AND AUTHORITY

(a) Right of Entry. The Authority and its assignees shall have the right to enter upon and to examine and inspect the 2020A Leased Facilities during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under this 2020A Lease, and for all other lawful purposes.

(b) Authority Not Liable. The Authority and its directors, officers, agents and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the 2020A Leased Facilities. To the extent permitted by law, the City shall, at its expense, indemnify and hold the Authority and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the 2020A Leased Facilities or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the 2020A Leased Facilities or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity.

(c) Essentiality. The City covenants and agrees that the 2020A Leased Facilities are essential to the City's exercise of its governmental functions.

SECTION 20. CONTINUING DISCLOSURE

The City will comply with the continuing disclosure requirements applicable to it promulgated under U.S. Securities and Exchange Commission Rule 15c2-12, as amended, and will also comply with its obligations under the Continuing Disclosure Certificate, dated as of October 1, 2020, executed and delivered by City in connection with the Bonds, and under any continuing disclosure agreement or certificate related to Additional Bonds that are subject to Rule 15c2-12; provided, however, that the sole remedy hereunder in the event of any failure of the City to comply with this covenant shall be an action to compel performance and the City's failure to comply with any continuing disclosure requirement shall not be deemed a default or an Event of Default.

SECTION 21. WAIVER

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may be established between the parties in the course of administering this 2020A Lease be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this 2020A Lease.

SECTION 22. NET LEASE

Subject to the provisions of Section 17 (“Abatement of Rental”), this 2020A Lease shall be deemed and construed to be a “Triple-Net Lease” and the City hereby agrees that rental provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, reserve deposits, charges or setoffs whatsoever.

SECTION 23. AMENDMENTS

This 2020A Lease may be amended in writing as may be mutually agreed by the Authority and the City; provided, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than a majority in aggregate principal amount of the affected Bonds and any Additional Bonds then Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any 2020A Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the Outstanding Bonds the consent of the Owners of which is required for the execution of any amendment hereof.

This 2020A Lease and the rights and obligations of the Authority and the City hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the Authority and the City without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved herein to or conferred herein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;
- (b) to make such provisions for the purpose of curing any ambiguity of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;
- (c) to effect a Substitution or Removal;
- (d) to increase the amount of 2020A Base Rental Payment payable hereunder for the purpose of allowing the Authority to add any real property to be acquired and leased hereunder or for the issuance of Additional Bonds; or

(e) for any other purpose which shall not materially adversely affect the interests of the Owners.

SECTION 24. LAW GOVERNING

This 2020A Lease shall be governed exclusively by the provisions hereof and by the laws of the State of California.

SECTION 25. NOTICES

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or by facsimile transmission or if mailed by United States first class mail, postage prepaid, and, if to the City, addressed to the Finance Director, City of Ukiah, 300 Seminary Avenue, Ukiah, California 95482, Fax: (707) 463-6204, or if to the Authority, addressed to the Treasurer, Ukiah Public Financing Authority, 300 Seminary Avenue, Ukiah, California 95482, Fax: 300 Seminary Avenue, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 26. VALIDITY AND SEVERABILITY

If for any reason this 2020A Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this 2020A Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the City monthly in consideration of the right of the City to possess, occupy and use the 2020A Leased Facilities, and all of the rental and other terms, provisions and conditions of this 2020A Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 27. SECTION HEADINGS

All section headings contained are for convenience of reference only and are not intended to define or limit the scope of any provision of this 2020A Lease.

SECTION 28. NO MERGER

If both the Authority's and the City's estate under this or any other lease relating to the 2020A Leased Facilities or any portion thereof shall at any time or for any reason become vested in one owner, this 2020A Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates.

SECTION 29. EXECUTION; RECORDATION

It is agreed that separate counterparts of this 2020A Lease may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

This 2020A Lease, or a memorandum hereof, shall be recorded at the commencement of the term hereof, in the Land Records of Mendocino County, California.

SECTION 30. FINDINGS OF LESSEE

The Lessee finds and declares that the issuance of the Bonds will result in significant public benefits to the citizens of the Lessee, including but not limited to demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs.

[Signature page to follow on next page]

IN WITNESS WHEREOF, the Authority and the City have caused this 2020A Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF UKIAH, CALIFORNIA

By _____
Sage Sangiacomo, City Manager

Attest:

By _____
Kristine Lawler, City Clerk

UKIAH PUBLIC FINANCING AUTHORITY

By _____
Daniel Buffalo, Treasurer

Attest:

By _____
Kristine Lawler, Secretary

EXHIBIT A

DESCRIPTION OF 2020A LEASED FACILITIES

ALL THAT CERTAIN REAL PROPERTY (ALONG WITH ALL IMPROVEMENTS, FIXTURES AND FACILITIES AT ANY TIME SITUATED THEREON) SITUATED IN THE CITY OF UKIAH, COUNTY OF MENDOCINO, STATE OF CALIFORNIA, AND ANY IMPROVEMENTS THERETO, DESCRIBED AS FOLLOWS:

EXHIBIT B

2020A BASE RENTAL PAYMENT SCHEDULE

<u>Interest Payment Date*</u>	<u>Principal Component of 2020A Base Rental Payments</u>	<u>Interest Component of 2020A Base Rental Payments</u>	<u>Total 2020A Base Rental Payments</u>
---------------------------------------	--	---	---

Totals			
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* This represents the Interest Payment Date on the Bonds. The City must make each of the scheduled 2020A Base Rental Payments to the Trustee on or before each respective 2020A Lease Payment Date, being the 25th day of the month immediately preceding each Interest Payment Date.

CERTIFICATE OF ACCEPTANCE OF 2020A LEASE AGREEMENT

This is to certify that the interest in real property conveyed by the 2020A Lease Agreement, dated as of October 1, 2020, from Ukiah Public Financing Authority, as sublessor, to the City of Ukiah, California, as sublessee (the “City”), as evidenced by the Memorandum of 2020A Lease Agreement recorded concurrently herewith, is hereby accepted by the undersigned officer on behalf of the City pursuant to authority conferred by resolution of the City Council adopted on August 19, 2020, and the City consents to recordation thereof by its duly authorized officer.

Dated as of October __, 2020

CITY OF UKIAH, CALIFORNIA

By: _____



2020B LEASE AGREEMENT

Dated as of October 1, 2020

by and between the

UKIAH PUBLIC FINANCING AUTHORITY

and the

CITY OF UKIAH

Relating to the

**§ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)**

**§ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)**



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2020B LEASE AGREEMENT

This 2020B Lease Agreement (the “2020B Lease”), dated as of October 1, 2020, is made by and between the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing pursuant to the laws of the State of California (the “Authority”), as sublessor, and the CITY OF UKIAH, a municipal corporation duly organized and existing under the laws of the State of California (the “City”), as sublessee.

RECITALS:

WHEREAS, the City desires to finance the acquisition, design, construction, installation, renovation, furnishing and/or reimbursement of certain real property and improvements constituting a new customer service center for the City and a new roof for the City museum, all as more particularly described in Exhibit A hereto (the “Ukiah Community Facilities Acquisition and Improvement Project”); and

WHEREAS, the City desires that the Authority issue its Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the “2020A Bonds”) for the purposes of, among other things, funding part or all of the Ukiah Community Facilities Acquisition and Improvement Project; and

WHEREAS, the City is obligated by the Public Employees’ Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the “Retirement Law”), to make payments relating to pension benefits accruing to the California Public Employees’ Retirement System’s (“CalPERS”) members, including the City; and

WHEREAS, the City is obligated specifically to make certain payments to CalPERS in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS that amortize such obligations over a fixed period of time (collectively, the “CalPERS Obligation”); and

WHEREAS, the Pension Obligation is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the “CalPERS Contract”); and

WHEREAS, the City desires that the Authority issue its Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) (the “2020B Bonds,” and together with the 2020A Bonds, the “Bonds”) for the purposes of, among other things, prepaying part or all of its CalPERS Obligation (the “CalPERS Prepayment Project,” and together with the Ukiah Community Facilities Acquisition and Improvement Project, the “Project”); and

WHEREAS, in order to finance the Ukiah Community Facilities Acquisition and Improvement Project, the City will lease to the Authority certain real property (the “2020B Site”) and improvements thereon (the “2020B Leased Facilities”) pursuant to a 2020B Site and Facilities Lease, dated as of October 1, 2020, between the Authority and City (the “2020B Site Lease”); and

WHEREAS, the 2020B Site is more particularly described in Exhibit A hereto; and

WHEREAS, the Authority has determined to issue its (i) 2020A Bonds in the aggregate principal amount of \$_____ pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and (ii) 2020B Bonds in the aggregate principal amount of \$_____ pursuant to the Indenture; and

WHEREAS, the Authority, pursuant to this 2020B Lease, will sublease the 2020B Leased Facilities to the City, in consideration for base rental payments to be made by the City pursuant to this 2020B Lease, in accordance with the base rental schedule attached hereto as Exhibit B, that corresponds in amount to the principal and interest coming due with respect to the 2020B Bonds (the “2020B Base Rental Payments”); and

WHEREAS, all rights to receive the 2020B Base Rental Payments have been assigned without recourse by the Authority to the Trustee pursuant to a 2020B Assignment Agreement, dated as of October 1, 2020, between the Authority and Trustee (the “2020B Assignment Agreement”); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this 2020B Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2020B Lease;

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

SECTION 1. DEFINITIONS

Terms used herein and not otherwise defined herein but defined in the Indenture shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this 2020B Lease, have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined:

“*Additional Rental Payments*” means Additional Rental Payments due under Section 3(b) hereof.

“*2020B Base Rental Payments*” means 2020B Base Rental Payments and any additional base rental payments made hereunder to support Additional Bonds issued in accordance with the Indenture.

“*Expiration Date*” means October 1, 20__, being the final scheduled maturity date of the Bonds, unless extended or sooner terminated as provided in Section 2 hereof.

“*2020B Facilities*” means all improvements, fixtures and facilities at any time situated on the 2020B Site.

“*Indenture*” means the Indenture dated as of October 1, 2020, by and between the Trustee and the Authority.

“*Interest Component*” means interest component of any 2020B Base Rental Payments as set forth in Exhibit B hereto.

“*Interest Payment Date*” means April 1 and October 1 of each year, commencing April 1, 2021, so long as any Bonds are Outstanding.

“*2020B Lease*” means this 2020B Lease Agreement.

“*2020B Leased Facilities*” means, collectively, the 2020B Site and 2020B Facilities, as more fully described in Exhibit A hereto, as such Exhibit A may be revised and amended from time to time pursuant to the terms of the Indenture and of this 2020B Lease.

“*2020B Lease Payment Date*” means, with respect to any Interest Payment Date, the 25th day of the month immediately preceding each Interest Payment Date.

“*Net Proceeds*” means any insurance or condemnation proceeds, paid with respect to the 2020B Leased Facilities remaining after payment therefrom of all expenses in the collection thereof.

“*Permitted Encumbrances*” means, with respect to the 2020B Leased Facilities, as of any particular time, (i) to the extent in effect on the Closing Date, the right, title and interest of the City to the 2020B Leased Facilities and the existing interests of the Authority to the 2020B Leased Facilities as lessee of the City, and the existing interests of the City in the 2020B Leased Facilities as lessee of the Authority; (ii) the 2020B Site Lease; (iii) this 2020B Lease, (iv) the Indenture, the Assignment Agreement and the Trustee’s and the Authority’s interests in the 2020B Leased Facilities, (v) liens for taxes and assessments not then delinquent, (vi) utility, access and other easements and rights of way, restrictions and exceptions that a City Representative certifies will not interfere with or impair the use intended to be made of the 2020B Leased Facilities; (vii) any additions and improvements to the 2020B Leased Facilities as permitted in this 2020B Lease; (viii) any sublease or use permitted by this 2020B Lease, (ix) covenants, conditions or restrictions or liens of record relating to the 2020B Leased Facilities and existing on the Closing Date; (x) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the 2020B Leased Facilities and as do not materially impair the use intended to be made of property affected thereby, and (xi) any encumbrances listed in the preliminary title report issued pursuant to Section 8 hereof.

“*Principal Component*” means the principal component of any 2020B Base Rental Payments as set forth in Exhibit B hereto.

“*Rental Period*” means each period during the Term of this 2020B Lease commencing on and including the day immediately following an Interest Payment Date and extending to and including the next succeeding Interest Payment Date.

“*2020B Site*” means the real property described in Exhibit A hereto.

SECTION 2. TERM

The Authority hereby leases to the City and the City hereby leases from the Authority, on the terms and conditions hereinafter set forth, the 2020B Leased Facilities.

The term of this 2020B Lease shall commence on October __, 2020, or the date this 2020B Lease is recorded, whichever is later, and shall expire on the later of (i) the Expiration Date; (ii) the date the last 2020B Base Rental Payment is made under the provisions hereof; or (iii) the date of discharge of all of the Bonds and Additional Bonds pursuant to Section 9.03 of the Indenture. Notwithstanding the foregoing, the term of this 2020B Lease shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Bonds and any Additional Bonds have not been fully discharged, and shall terminate on the date when the Bonds and any Additional Bonds have been fully discharged.

SECTION 3. RENTAL

Subject to the provisions of Sections 12 and 17 hereof, the City agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the 2020B Leased Facilities, the following amounts at the following times:

(a) 2020B Base Rental Payments; Additional Base Rental Payments. The City agrees to pay to the Trustee, as assignee of the Authority, the 2020B Base Rental Payments (denominated into Principal Components and Interest Components) in accordance with the 2020B Base Rental Payment Schedule attached hereto as Exhibit B, in the respective amounts specified in Exhibit B attached hereto and by this reference incorporated herein, to be due and payable on the Interest Payment Dates immediately following each of the respective 2020B Lease Payment Dates, and to be deposited by the City with the Trustee on each of the 2020B Lease Payment Dates. Any amount held in the 2020B Lease Revenue Fund on any 2020B Lease Payment Date (other than amounts resulting from the prepayment of the Principal Components in part but not in whole pursuant to Section 12 hereof and other than amounts required for payment of past due Principal Components or Interest Components represented by any Bonds not presented for payment) shall be credited towards the 2020B Base Rental Payment then required to be paid hereunder; and no 2020B Base Rental Payment need be deposited with the Trustee on any 2020B Lease Payment Date if the amounts then held in the 2020B Lease Revenue Fund are at least equal to the 2020B Base Rental Payment then required to be deposited with the Trustee. The 2020B Base Rental Payments payable in any Rental Period shall be for the use of the 2020B Leased Facilities during such Rental Period.

The obligation of the City to pay the 2020B Base Rental Payments with respect to the 2020B Bonds and the 2020B Bonds shall rank *pari passu* with each other as well as with the obligation of the City to pay 2020B Base Rental Payments with respect to any Additional Bonds. Upon and after the issuance of any Additional Bonds secured by base rental payments with respect to the 2020B Leased Facilities, the City shall pay the 2020B Base Rental Payments with respect to such Additional Bonds as provided in the Supplemental Indenture for such Additional Bonds, in accordance with the additional base rental payment schedule which shall be attached hereto as an additional exhibit prior to the delivery of such Additional Bonds, as adjusted for any prepayments.

(b) Additional Rental Payments. The City shall also pay, as “Additional Rental Payments” hereunder, in addition to the 2020B Base Rental Payments and any base rental payments hereunder made with respect to Additional Bonds, to the Trustee, as assignee of the Authority, as hereinafter provided, such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or

provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of this 2020B Lease or the assignment hereof, the Indenture, or the Authority's or the Trustee's respective interests in the 2020B Leased Facilities, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the 2020B Leased Facilities (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Such Additional Rental Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within thirty (30) days after receipt of the bill by the City.

(c) Fair Rental Value. Payments of 2020B Base Rental Payments and Additional Rental Payments for each rental payment period shall constitute the total rental for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the 2020B Leased Facilities during each such period for which said rental is to be paid. The City represents and covenants that the useful life of the 2020B Leased Facilities is not shorter than the final maturity of the Bonds. The parties to this 2020B Lease specifically acknowledge that the annual fair rental value of the 2020B Leased Facilities is in excess of the maximum annual 2020B Base Rental Payments, and that any "discount" of 2020B Base Rental Payments below fair market value is in recognition of the unique characteristics of the 2020B Leased Facilities. In making such determination, consideration has been given to other obligations of the parties under this 2020B Lease, the uses and purposes which may be served by the 2020B Leased Facilities and the benefits therefrom which will accrue to the City and the general public. The determination of fair rental value of the 2020B Leased Facilities pursuant to this paragraph shall not be deemed to be controlling in connection with a determination of fair value of the 2020B Leased Facilities by the parties hereto for any other purpose.

(d) Payment of 2020B Base Rental. Each installment of 2020B Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate. Notwithstanding any dispute between the City and the Authority, the City shall make all 2020B Base Rental Payments when due, without deduction or offset of any kind, and shall not withhold any 2020B Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said 2020B Base Rental Payments or any portion thereof, said 2020B Base Rental Payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent 2020B Base Rental Payments due hereunder or be refunded at the time of such determination.

(e) Increases in Aggregate 2020B Base Rental Payments. The City covenants that it shall not permit an increase in the aggregate 2020B Base Rental Payments or permit additional base rental payments with respect to Additional Bonds without first obtaining an opinion of Bond Counsel to the effect that the incurring of such increased 2020B Base Rental Payments will not (i) impair the validity and enforceability of this 2020B Lease and (ii) in and of itself impair the exclusion of interest on the 2020B Bonds and, to the extent applicable, any Additional Bonds (that are intended to be Tax-Exempt), from the gross income of the owners thereof for federal income tax purposes.

(f) Covenant to Budget and Appropriate. The City covenants to take such action as may be necessary to include all 2020B Base Rental Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such 2020B Base Rental Payments, subject only to abatement as provided in Section 17 hereof. The City will furnish to the Authority annually, on or before September 1, a certificate stating that it has complied with the covenant set forth in this paragraph. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this 2020B Lease agreed to be carried out and performed by the City.

The obligation of the City to make 2020B Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds (or any Additional Bonds) nor the obligation of the City to make 2020B Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 4. USE OF PROCEEDS

The parties hereto agree that the proceeds of the 2020B Bonds will be used for the purposes of funding the Ukiah Community Facilities Acquisition and Improvement Project and the costs of issuing the 2020B Bonds.

SECTION 5. MAINTENANCE, UTILITIES, TAXES AND ASSESSMENTS

During such time as the City or any assignee or sublessee thereof is in possession of the 2020B Leased Facilities, all maintenance and repair, ordinary or extraordinary, of the 2020B Leased Facilities shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the 2020B Leased Facilities, (b) the cost of operation of the 2020B Leased Facilities, and (c) the costs of maintenance of and repair to the 2020B Leased Facilities resulting from regulatory mandate and ordinary wear and tear or want of care on the part of the City. The City shall at the City's sole cost and expense keep and maintain the 2020B Leased Facilities clean and in a safe and good condition and repair. The Authority shall have no obligation to alter, remodel, improve, repair, decorate, or paint the 2020B Leased Facilities or any part thereof (except as may be required by regulatory mandate), and the parties hereto affirm that the Authority has made no representations or warranties to the City respecting the condition of the 2020B Leased Facilities.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the 2020B Leased Facilities. The Authority has no responsibility or obligation whatsoever to construct any improvements modification or alteration to the 2020B Leased Facilities.

The City waives the right to make repairs at the Authority's expense under Subsection 1 of Section 1932, Sections 1941 and 1942 of the California Civil Code, or any other such law, statute, or ordinance now or hereafter in effect.

The parties hereto contemplate that the 2020B Leased Facilities will be used for public purposes by the City and, therefore, that the 2020B Leased Facilities will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the Authority or the City of the 2020B Leased Facilities is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively became due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the 2020B Leased Facilities and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the 2020B Leased Facilities; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this 2020B Lease is in effect.

SECTION 6. CHANGES TO THE 2020B LEASED FACILITIES

The City shall have the right during the term of this 2020B Lease to acquire and construct improvements or to attach fixtures, structures or signs to the 2020B Leased Facilities if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the 2020B Leased Facilities by the City; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the 2020B Leased Facilities, reduce the fair rental value thereof or substantially alter the nature of the 2020B Leased Facilities.

Upon termination of this 2020B Lease, the City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the 2020B Leased Facilities, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

SECTION 7. SUBSTITUTION OR RELEASE OF 2020B LEASED FACILITIES

The City shall have, so long as this 2020B Lease is in effect, and is hereby granted, the option at any time and from time to time, to substitute other real property (the "Substitute 2020B Leased Facilities") for any portion of the 2020B Leased Facilities (the "Former 2020B Leased Facilities") or release any identifiable real property and/or improvements currently constituting the 2020B Leased Facilities (in such case, Substitute 2020B Leased Facilities shall mean the Former 2020B Leased Facilities less any portion released pursuant to this Section); provided that the City shall satisfy all of the following requirements, which are hereby declared to be conditions precedent to such substitution and/or release:

- (a) No Event of Default shall have occurred and be continuing;
- (b) The City shall file with the Authority and the Trustee, and cause to be recorded in the office of the Mendocino County Recorder, sufficient memorialization of amendments to this 2020B Lease and the 2020B Site Lease which replaces Exhibit A hereto, and Exhibit A to the 2020B Site Lease, with a description of such Substitute 2020B Leased Facilities which deletes therefrom the description of the Former 2020B Leased Facilities;
- (c) The City shall obtain a California Land Title Association ("CLTA") or American Land Title Association ("ALTA") policy of title insurance insuring the City's fee or leasehold estate in such Substitute

2020B Leased Facilities, the City's leasehold estate hereunder, and the Authority's leasehold estate under the 2020B Site Lease in such Substitute 2020B Leased Facilities, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to Substitute 2020B Leased Facilities that consists only of Former 2020B Leased Facilities less any released portion;

(d) The City shall certify in writing to the Authority and to the Trustee that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California;

(e) The substitution of the Substitute 2020B Leased Facilities shall not cause the City to violate any of its covenants, representations and warranties made herein;

(f) The City shall file with the Authority and the Trustee a written certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute 2020B Leased Facilities after substitution or release will be at least equal to 100% of the maximum amount of the 2020B Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year, and that the useful economic life of the Substitute 2020B Leased Facilities shall be at least equal to the maximum remaining term of this 2020B Lease; and

(g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under this 2020B Lease and will not in and of itself impair the validity and enforceability of this 2020B Lease.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a written certification of the City certifying that the conditions set forth in subsections (a), (c) and (e) of this Section have been satisfied, the Term of this 2020B Lease shall thereupon end as to the Former 2020B Leased Facilities and shall thereupon commence as to the Substitute 2020B Leased Facilities, and all references to the Former 2020B Leased Facilities shall apply with full force and effect to the Substitute 2020B Leased Facilities. The City shall not be entitled to any reduction, diminution, extension or other modification of the 2020B Base Rental Payments whatsoever as a result of such substitution or release hereunder. The City and the Authority shall execute, deliver and, if necessary, cause to be recorded all documents required to properly discharge this 2020B Lease lien of record against the Former 2020B Leased Facilities.

SECTION 8. RESERVED

SECTION 9. INSURANCE

(a) Liability Insurance. The City shall procure (or cause to be procured) and maintain (or cause to be maintained), throughout the term of this 2020B Lease, reasonable and customary general liability insurance, naming as additional insured the Authority, the Trustee, and their directors, officers, agents and employees, insuring against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the use or operation of the 2020B Leased Facilities. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

(b) Workers Compensation Insurance. The City shall at all times comply with the workers' compensation insurance laws of the State of California to the extent applicable to the City.

(c) Fire and Extended Coverage Insurance. The City shall procure (or cause to be procured) and maintain (or cause to be maintained), throughout the term of this 2020B Lease, insurance against loss or damage to any part of the 2020B Leased Facilities against all perils included within the classification of fire, lightning, and all other risks covered by an extended coverage endorsement (excluding earthquake) in an amount not less than the principal amount of the Outstanding 2020B Bonds. Said fire and extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, sprinkler damage, boiler explosion and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to 100% of the replacement cost of the improvements on the 2020B Leased Facilities. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City, provided that coverage pursuant to this subsection shall apply exclusively to the 2020B Leased Facilities, and payment of insurance proceeds shall not be contingent upon the degree of damage sustained at other facilities owned or leased by the City.

(d) Reserved.

(e) Self-Insurance. Except for the insurance required by subsection (d) of this Section (rental interruption insurance), for which the City may not provide self-insurance, as an alternative to providing the insurance required by this Section the City may provide a self-insurance method or plan of protection (but only from a special fund of the City or other source for which the General Fund of the City is not in any fashion obligated nor to which the City is otherwise obligated to make payments), covering one or all of the insurance coverage's required to be provided by subsections (a), (b) and (c) of this Section, so long as such self-insurance method or plan of protection shall afford reasonable protection to the Authority and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by cities in the State other than the City.

(f) Net Proceeds of Insurance; Form of Policies. The policy of insurance required by subsection (c) of this Section shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement, and shall name the City, the Authority and the Trustee as insureds. The Net Proceeds of policies of insurance under subsection (c) of this Section shall be applied as provided in Section 10 hereof. All policies of insurance required by this 2020B Lease and any statements of self-insurance shall be in form satisfactory to the Authority. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this 2020B Lease and shall promptly furnish or cause to be furnished evidence of such payments to the Authority and the Trustee. All such policies shall provide that the Authority and the Trustee shall be given thirty (30) days' notice of each expiration, and any intended cancellation thereof or reduction of the coverage provided thereby. The City shall deliver to the Trustee on or before the Closing Date and each anniversary of the Closing Date a certificate that all insurance required under this 2020B Lease is in full force and effect. In the event that the City obtains insurance through a pooled insurance program of governmental entities, an annual statement or memorandum of coverage delivered to the Authority and the Trustee will satisfy the requirements of this subsection. The Trustee and the Authority shall not be responsible for the sufficiency of any insurance herein required or payment of premium and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(g) Advances. If the City shall fail to perform in any of its obligations under this Section, then the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money on behalf of the City, and the City shall be obligated to repay all such advances as soon as possible.

(h) Waivers of Subrogation. Each of the parties hereby waives any and all rights to recovery against the other or against any other tenant or occupant of the 2020B Leased Facilities, or against the officers, employees, agents, representatives, customers, and business visitors of such other party or of such other tenant or occupant of the 2020B Leased Facilities, for loss or damage to such waiving party or its property or the property of others under its control, arising from any cause insured against under the standard form of property damage insurance policy with all permissible extensions and endorsements covering extended perils or under any other policy of insurance carried by such waiving party in lieu thereof, to the extent such policies then in force permit such waiver.

SECTION 10. DAMAGE, DESTRUCTION AND CONDEMNATION; APPLICATION OF NET PROCEEDS

If prior to the termination of the term hereof (a) the 2020B Leased Facilities is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the 2020B Leased Facilities or the estate of the Authority or the City in the 2020B Leased Facilities or any portion shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the 2020B Leased Facilities or portion thereof, in accordance with the provisions of this Section 10. If Net Proceeds are insufficient to repair or replace the 2020B Leased Facilities or portion thereof, the City shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments pursuant to Section 17 hereof as a result of such casualty or event, and the City elects pursuant to Section 12(a) hereof to apply such insurance proceeds and such other sums as are deposited by the City pursuant to such Section to the prepayment of 2020B Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the 2020B Leased Facilities, then this 2020B Lease shall terminate with respect to the destroyed or damaged portion of the 2020B Leased Facilities as of the later of the date of such election by the City or the date the amount required by Section 12(a) hereof is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may hereinafter be in force during the term of this 2020B Lease which authorizes the termination of this 2020B Lease upon the partial or complete destruction of the 2020B Leased Facilities, are hereby waived by the City.

The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds and any Additional Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the 2020B Leased Facilities. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the 2020B Leased Facilities, the value of the

2020B Leased Facilities shall not be less than the greater of (i) if Outstanding Bonds are then subject to redemption, the principal and interest due on the Outstanding Bonds through the date of their redemption, or (ii) if such Outstanding Bonds are not then subject to redemption, the amount necessary to defease such Outstanding Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any Net Proceeds with the Trustee for deposit into the: (a) 2020B Insurance and Condemnation Fund if the City elects to repair the 2020B Leased Facilities, or (b) the 2020B Redemption Fund if the City elects to redeem the Outstanding Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the 2020B Leased Facilities or use insurance and condemnation award proceeds received to redeem such Bonds. To the extent that the City determines not to repair the 2020B Leased Facilities and cannot use insurance and condemnation award proceeds to redeem such 2020B Bonds, the City shall and hereby covenants to expeditiously substitute property for such 2020B Leased Facilities of equivalent or greater value in accordance with the provisions of Section 7 hereof. If the City determines to repair the 2020B Leased Facilities, disbursements by the Trustee shall only be made upon presentation of a requisition in a form substantially similar to Exhibit C of the Indenture. If the City determines to cause the redemption of less than the full amount of the Outstanding Bonds, such redemption shall only be made to the extent the remaining fair rental value of the 2020B Leased Facilities is not less than the remaining 2020B Base Rental Payments supporting debt service on the Outstanding Bonds.

SECTION 11. DEFAULT

(a) Each of the following events constitutes an Event of Default hereunder:

(1) Failure by the City to pay any 2020B Base Rental Payment or other payment (including Additional Rental Payments) required to be paid hereunder at the time specified herein.

(2) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding subsection (1), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority. However, if the City notifies the Authority 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 City 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; provided, that such cure period shall not extend beyond 60 days.

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

The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

(b) Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this 2020B Lease. Notwithstanding anything herein

to the contrary, there shall be no right under any circumstances to accelerate the 2020B Base Rental Payments or otherwise declare any 2020B Base Rental Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; provided, that no termination of this 2020B Lease will 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 Authority may exercise each and every one of the following remedies:

(1) *Proceedings at Law or In Equity.* If an Event of Default occurs and continues hereunder, the Authority 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.

(4) *Remedies under the 2020B Site Lease.* If an Event of Default occurs and continues hereunder, the Authority may exercise its rights under the 2020B Site Lease.

SECTION 12. PREPAYMENT AND CREDITS

(a) *Prepayment from Net Proceeds.*

(1) The City may prepay, from Net Proceeds of insurance or a condemnation award received by it pursuant to Section 10, the Principal Component of 2020B Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any date, pursuant to Section 10 hereof, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

(2) Prepayments made pursuant to this subsection (a) shall be allocated pro rata among the Principal Components of 2020B Base Rental Payments relating to the Bonds and any Additional Bonds.

(b) *Optional Prepayment.* The City may at its option prepay from any source of available moneys for redemption of Bonds on any Business Day pursuant to Section 2.03(b) of the Indenture, all or any part (in an integral multiple of \$5,000) of the Principal Component of 2020B Base Rental Payments then unpaid, so that the aggregate annual amounts of principal component of 2020B Base Rental which shall be payable after such prepayment date shall each be an integral multiple of \$5,000, at a prepayment price equal to the sum of the principal component prepaid plus interest accrued with respect thereto to the date of prepayment, without premium.

Before making any prepayment pursuant to this Section, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the City hereby agree that any prepayment in part under this Section and any redemption of Bonds by the Authority pursuant to Section 2.03(b)(i) or Section 2.03(b)(ii) of the Indenture shall be credited towards the City's obligations hereunder at the option of the City in any manner determined

in writing delivered to the Trustee by the City. A prepayment made pursuant to this Section shall not cause a defeasance of any Bonds unless the requirements of Section 9.03 of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all 2020B Base Rental Payments, such that this 2020B Lease shall be terminated by its terms as provided in Section 2, all amounts then on deposit under the Indenture which are to be credited to the City's obligations to make 2020B Base Rental Payments shall be credited towards the amounts then required to be so prepaid. In the event of the prepayment of some but not all of the Principal Components of the 2020B Base Rental Payments, the City shall replace the applicable 2020B Base Rental Schedule with a revised 2020B Base Rental Payment Schedule reflecting such prepayment of the Principal Components of such 2020B Base Rental Payments.

SECTION 13. MECHANICS' LIENS

In the event the City shall at any time during the term of this 2020B Lease cause any improvements or other work to be done or performed or materials to be supplied, in or upon the 2020B Leased Facilities, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the 2020B Leased Facilities and which may be secured by any mechanics', materialmen's or other liens against the 2020B Leased Facilities or the Authority's interest therein, and will cause any such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

SECTION 14. QUIET ENJOYMENT

The parties hereto mutually covenant that the City, so long as it keeps and performs the covenants and agreements herein contained, shall at all times during the term of this 2020B Lease peaceably and quietly have, hold and enjoy the 2020B Leased Facilities without suit, trouble or hindrance from the Authority.

SECTION 15. INDEMNIFICATION

The City shall, to the full extent then permitted by law, indemnify, defend, protect and hold harmless the Authority and its members, officers and employees and the Trustee from and against any and all liabilities, obligations, losses, claims and damages whatsoever regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest (i) arising out of or as the result of the entering into of this 2020B Lease and the Indenture, the payment of the costs of acquiring the 2020B Leased Facilities or any accident in connection with the operation, use, condition or possession of the 2020B Leased Facilities or any portion thereof resulting in damage to property or injury to or death to any person, but excluding any loss arising out of the intentional malfeasance or gross negligence of the Trustee or its officers, and (ii) with regard to the Trustee, arising out of or in the exercise and performance of the Trustee's powers and duties hereunder and the Indenture. The indemnification arising under this section and compensation under Section 3(b) hereof shall continue in full force and effect notwithstanding the full payment of all rent obligations hereunder or the termination hereof for any reason or the resignation or removal of the Trustee. The City agrees not to withhold or abate any portion of the payments

required pursuant hereto by reason of any defects, malfunctions breakdowns or infirmities of the 2020B Leased Facilities. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

SECTION 16. ASSIGNMENT

The parties understand that this 2020B Lease and the rights of the Authority hereunder, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the 2020B Assignment Agreement, to which assignment the City hereby consents.

Neither this 2020B Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided, subject to the provisions of Section 18 hereof, that the 2020B Leased Facilities may be subleased in whole or in part by the City, but only subject to the following conditions, which are hereby made conditions precedent to any such sublease:

(a) This 2020B Lease and the obligation of the City to make all 2020B Base Rental Payments and Additional Rental Payments hereunder shall remain the sole obligation of the City;

(b) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the 2020B Leased Facilities to be used for a primary purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California, as evidenced by a Certificate of the City that is delivered to the Trustee; and

(d) Any sublease of the 2020B Leased Facilities by the City shall explicitly provide that such sublease is subject to all rights of the Authority under this 2020B Lease.

SECTION 17. ABATEMENT OF RENTAL

The obligation of the City to pay 2020B Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the use and occupancy of the 2020B Leased Facilities or any portion thereof by the City. Such abatement shall be in an amount such that the resulting 2020B Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the 2020B Leased Property as to which such damage, destruction, taking or title defect does not substantially interfere with the City's use and right of possession, as evidenced by a Certificate of the City.

Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the 2020B Leased Facilities, and ending with the substantial completion of the work of repair or replacement of the 2020B Leased Facilities, or the portion thereof so damaged or destroyed, and the term of this 2020B Lease shall be extended as provided in Section 2 hereof.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of 2020B Base Rental Payments in any of the funds and accounts established under the Indenture, such 2020B Base Rental Payments shall not be abated but shall be payable by the City as a special obligation payable solely from such funds and accounts.

In the event of any such damage or destruction, this 2020B Lease continues in full force and effect and the City waives any right to terminate this 2020B Lease by virtue of any such damage and destruction.

SECTION 18. RESERVED

SECTION 19. OTHER COVENANTS OF THE CITY AND AUTHORITY

(a) Right of Entry. The Authority and its assignees shall have the right to enter upon and to examine and inspect the 2020B Leased Facilities during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under this 2020B Lease, and for all other lawful purposes.

(b) Authority Not Liable. The Authority and its directors, officers, agents and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the 2020B Leased Facilities. To the extent permitted by law, the City shall, at its expense, indemnify and hold the Authority and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the 2020B Leased Facilities or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the 2020B Leased Facilities or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity.

(c) Essentiality. The City covenants and agrees that the 2020B Leased Facilities are essential to the City's exercise of its governmental functions.

SECTION 20. CONTINUING DISCLOSURE

The City will comply with the continuing disclosure requirements applicable to it promulgated under U.S. Securities and Exchange Commission Rule 15c2-12, as amended, and will also comply with its obligations under the Continuing Disclosure Certificate, dated as of October 1, 2020, executed and delivered by City in connection with the Bonds, and under any continuing disclosure agreement or certificate related to Additional Bonds that are subject to Rule 15c2-12; provided, however, that the sole remedy hereunder in the event of any failure of the City to comply with this covenant shall be an action to compel performance and the City's failure to comply with any continuing disclosure requirement shall not be deemed a default or an Event of Default.

SECTION 21. WAIVER

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may be established between the parties

in the course of administering this 2020B Lease be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this 2020B Lease.

SECTION 22. NET LEASE

Subject to the provisions of Section 17 (“Abatement of Rental”), this 2020B Lease shall be deemed and construed to be a “Triple-Net Lease” and the City hereby agrees that rental provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, reserve deposits, charges or setoffs whatsoever.

SECTION 23. AMENDMENTS

This 2020B Lease may be amended in writing as may be mutually agreed by the Authority and the City; provided, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than a majority in aggregate principal amount of the affected Bonds and any Additional Bonds then Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any 2020B Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the Outstanding Bonds the consent of the Owners of which is required for the execution of any amendment hereof.

This 2020B Lease and the rights and obligations of the Authority and the City hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the Authority and the City without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved herein to or conferred herein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;
- (b) to make such provisions for the purpose of curing any ambiguity of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;
- (c) to effect a Substitution or Removal;
- (d) to increase the amount of 2020B Base Rental Payment payable hereunder for the purpose of allowing the Authority to add any real property to be acquired and leased hereunder or for the issuance of Additional Bonds; or
- (e) for any other purpose which shall not materially adversely affect the interests of the Owners.

SECTION 24. LAW GOVERNING

This 2020B Lease shall be governed exclusively by the provisions hereof and by the laws of the State of California.

SECTION 25. NOTICES

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or by facsimile transmission or if mailed by United States first class mail, postage prepaid, and, if to the City, addressed to the Finance Director, City of Ukiah, 300 Seminary Avenue, Ukiah, California 95482, Fax: (707) 463-6204, or if to the Authority, addressed to the Treasurer, Ukiah Public Financing Authority, 300 Seminary Avenue, Ukiah, California 95482, Fax: 300 Seminary Avenue, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 26. VALIDITY AND SEVERABILITY

If for any reason this 2020B Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this 2020B Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the City monthly in consideration of the right of the City to possess, occupy and use the 2020B Leased Facilities, and all of the rental and other terms, provisions and conditions of this 2020B Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 27. SECTION HEADINGS

All section headings contained are for convenience of reference only and are not intended to define or limit the scope of any provision of this 2020B Lease.

SECTION 28. NO MERGER

If both the Authority's and the City's estate under this or any other lease relating to the 2020B Leased Facilities or any portion thereof shall at any time or for any reason become vested in one owner, this 2020B Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates.

SECTION 29. EXECUTION

It is agreed that separate counterparts of this 2020B Lease may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

SECTION 30. FINDINGS OF LESSEE

The Lessee finds and declares that the issuance of the Bonds will result in significant public benefits to the citizens of the Lessee, including but not limited to demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs.

[Signature page to follow on next page]

IN WITNESS WHEREOF, the Authority and the City have caused this 2020B Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF UKIAH, CALIFORNIA

By _____
Sage Sangiacomo, City Manager

Attest:

By _____
Kristine Lawler, City Clerk

UKIAH PUBLIC FINANCING AUTHORITY

By _____
Daniel Buffalo, Treasurer

Attest:

By _____
Kristine Lawler, Secretary

EXHIBIT A

DESCRIPTION OF 2020B LEASED FACILITIES

The Leased Property consists of consists of ___ lane miles of streets in the City.

EXHIBIT B

2020B BASE RENTAL PAYMENT SCHEDULE

<u>Interest Payment Date*</u>	<u>Principal Component of 2020B Base Rental Payments</u>	<u>Interest Component of 2020B Base Rental Payments</u>	<u>Total 2020B Base Rental Payments</u>
---------------------------------------	--	---	---

Totals	_____	_____	_____
	=====	=====	=====

* This represents the Interest Payment Date on the Bonds. The City must make each of the scheduled 2020B Base Rental Payments to the Trustee on or before each respective 2020B Lease Payment Date, being the 25th day of the month immediately preceding each Interest Payment Date.

CERTIFICATE OF ACCEPTANCE OF 2020B LEASE AGREEMENT

This is to certify that the interest in real property conveyed by the 2020B Lease Agreement, dated as of October 1, 2020, from Ukiah Public Financing Authority, as sublessor, to the City of Ukiah, California, as sublessee (the "City"), as evidenced by the Memorandum of 2020B Lease Agreement recorded concurrently herewith, is hereby accepted by the undersigned officer on behalf of the City pursuant to authority conferred by resolution of the City Council adopted on August 19, 2020, and the City consents to recordation thereof by its duly authorized officer.

Dated as of October __, 2020

CITY OF UKIAH, CALIFORNIA

By: _____

RECORDING REQUESTED BY:)
 City of Ukiah)
)
WHEN RECORDED MAIL TO:)
 The Weist Law Firm)
 20 South Santa Cruz Avenue, Suite 300)
 Los Gatos, California 95030)
 Attn: Cameron A. Weist, Esq.)
)

(DO NOT WRITE ABOVE LINE - SPACE FOR RECORDERS USE ONLY)

THIS IS A FINANCING DOCUMENT RECORDED FOR THE BENEFIT OF THE CITY OF UKIAH. THIS TRANSACTION IS EXEMPT FROM 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.

2020A ASSIGNMENT AGREEMENT

Dated as of October 1, 2020

by and between the

UKIAH PUBLIC FINANCING AUTHORITY

and

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

Relating to the

§ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)

§ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)

2020A ASSIGNMENT AGREEMENT

THIS 2020A ASSIGNMENT AGREEMENT, dated as of October 1, 2020, is made by and between the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under the laws of the State of California (the “Authority”) and 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”), under the Indenture hereinafter defined.

WITNESSETH:

WHEREAS, the Authority has entered into a 2020A Site and Facilities Lease, dated as of October 1, 2020 and recorded concurrently herewith (the “2020A Site Lease”), with the City of Ukiah, California (the “City”), whereby the Authority has agreed to lease certain real property and facilities located within the City, as described in Exhibit A attached hereto (the “2020A Leased Facilities”), from the City; and

WHEREAS, the Authority has entered into an unrecorded 2020A Lease Agreement, dated as of October 1, 2020, a Memorandum of which is recorded concurrently herewith (the “2020A Lease”), with the City, whereby the Authority has agreed to lease the 2020A Leased Facilities to the City; and

WHEREAS, under and pursuant to the 2020A Lease, the City is obligated to make 2020A Base Rental Payments as defined therein, to the Authority for the lease of the 2020A Leased Facilities; and

WHEREAS, the 2020A Base Rental Payments have been pledged by the Authority as security for the payment of principal of and interest on its Lease Revenue Refunding Bonds, Series 2020A (Federally Tax-Exempt) (Ukiah Community Facilities Acquisition and Improvement Project), in the aggregate principal amount of \$ _____ (the “Tax-Exempt Bonds”), and its Lease Revenue Refunding Bonds, Series 2020B (Federally Taxable) (CalPERS Prepayment Project), in the aggregate principal amount of \$ _____ (the “Taxable Bonds,” and together with the Tax-Exempt Bonds, the “Bonds”), authorized and issued pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and the Trustee; and

WHEREAS, in order to make the Bonds marketable on terms acceptable to the Authority, the Authority desires to assign and transfer its rights under the 2020A Lease and the 2020A Site Lease to the Trustee for the benefit of the Owners of the Bonds; and

WHEREAS, each of the parties has authority to enter into this 2020A Assignment Agreement, and has taken all actions necessary to authorize its respective officers to execute it.

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

Section 1. Definitions.

All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture or the 2020A Lease, as appropriate.

Section 2. Assignment.

The Authority does hereby assign and transfer without recourse to the Trustee all of the Authority's rights, title and interest in and to (but none of its obligations under) the 2020A Lease and the 2020A Site Lease (excepting only (i) the Authority's rights to give approvals and consents thereunder, including, without limitation, to amendments, and the Authority's rights to the payment of Additional Rental Payments pursuant to Section 3(b) of the 2020A Lease and to indemnification pursuant to Section 15 of the 2020A Lease, and (ii) the Authority's rights to receive lease payments other than the 2020A Base Rental Payments), including the Authority's rights to receive 2020A Base Rental Payments, as well as its rights to enforce payment of such 2020A Base Rental Payments when due or otherwise to protect its interests in the event of a default by the City under the 2020A Lease, in accordance with the terms thereof, in trust nonetheless, and provided that should the Authority well and truly perform all of its obligations under the Indenture, this 2020A Assignment Agreement shall terminate and all interest in the 2020A Lease and the 2020A Site Lease shall revert to the Authority. The 2020A Base Rental Payments shall be applied, and the rights of the Authority assigned hereunder shall be exercised by the Trustee, as provided in the Indenture.

Section 3. Acceptance.

The Trustee hereby accepts the assignments made herein for the purpose of securing, equally and proportionately, the payments due pursuant to the 2020A Lease, 2020A Site Lease and Indenture to, and the rights under the 2020A Lease, 2020A Site Lease and Indenture of, the Owners of the Bonds delivered pursuant to the Indenture, all subject to the provisions of the Indenture.

Section 4. No Additional Rights or Duties.

Excepting only the assignment and transfer of rights to the Trustee pursuant to Section 2 hereof, this 2020A Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the 2020A Lease, the 2020A Site Lease and the Indenture. The Trustee does not warrant the accuracy of any of the recitals hereto. This 2020A Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the City beyond those expressly provided in the 2020A Lease, the 2020A Site Lease and the Indenture or as otherwise set forth herein.

Section 5. Substitution or Release.

Upon the substitution or release of 2020A Leased Facilities subject to the 2020A Lease by the City and the Authority pursuant to Section 7 of the 2020A Lease, the 2020A Leased Facilities subject to this 2020A Assignment Agreement shall be modified to the same extent, and the Authority and the Trustee shall execute and cause to be recorded corrective instruments reflecting such substitution or release.

Section 6. Further Assurances.

The Trustee 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 2020A Assignment Agreement, and for the better assuring and confirming to the Trustee the rights and obligations intended to be conveyed pursuant hereto.

Section 7. Law Governing.

This 2020A Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 8. Binding Effect; Successors.

This 2020A Assignment Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this 2020A Assignment Agreement any party is named or referred to, such reference shall be deemed to include such party's successors and assigns and all covenants and agreements contained in this 2020A Assignment Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

Section 9. Counterparts.

This 2020A Assignment 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.

[Signature Page to Follow on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this 2020A Assignment Agreement by their respective officers thereunto duly authorized as of the day and year first written above.

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Daniel Buffalo, Treasurer

Attest:

By: _____
Mary Horger, Secretary

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

By: _____
Authorized Signatory

EXHIBIT A

DESCRIPTION OF THE 2020A LEASED FACILITIES

ALL THAT CERTAIN REAL PROPERTY (ALONG WITH ALL IMPROVEMENTS, FIXTURES AND FACILITIES AT ANY TIME SITUATED THEREON) SITUATED IN THE CITY OF UKIAH, COUNTY OF MENDOCINO, STATE OF CALIFORNIA, AND ANY IMPROVEMENTS THERETO, DESCRIBED AS FOLLOWS:

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MENDOCINO

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

RECORDING REQUESTED BY:)
 City of Ukiah)
)
WHEN RECORDED MAIL TO:)
 The Weist Law Firm)
 20 South Santa Cruz Avenue, Suite 300)
 Los Gatos, California 95030)
 Attn: Cameron A. Weist, Esq.)
)

(DO NOT WRITE ABOVE LINE - SPACE FOR RECORDERS USE ONLY)

THIS IS A FINANCING DOCUMENT RECORDED FOR THE BENEFIT OF THE CITY OF UKIAH. THIS TRANSACTION IS EXEMPT FROM 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.

2020B ASSIGNMENT AGREEMENT

Dated as of October 1, 2020

by and between the

UKIAH PUBLIC FINANCING AUTHORITY

and

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

Relating to the

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)

2020B ASSIGNMENT AGREEMENT

THIS 2020B ASSIGNMENT AGREEMENT, dated as of October 1, 2020, is made by and between the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under the laws of the State of California (the “Authority”) and 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”), under the Indenture hereinafter defined.

WITNESSETH:

WHEREAS, the Authority has entered into a 2020B Site and Facilities Lease, dated as of October 1, 2020 and recorded concurrently herewith (the “2020B Site Lease”), with the City of Ukiah, California (the “City”), whereby the Authority has agreed to lease certain real property and facilities located within the City, as described in Exhibit A attached hereto (the “2020B Leased Facilities”), from the City; and

WHEREAS, the Authority has entered into an unrecorded 2020B Lease Agreement, dated as of October 1, 2020, a Memorandum of which is recorded concurrently herewith (the “2020B Lease”), with the City, whereby the Authority has agreed to lease the 2020B Leased Facilities to the City; and

WHEREAS, under and pursuant to the 2020B Lease, the City is obligated to make 2020B Base Rental Payments as defined therein, to the Authority for the lease of the 2020B Leased Facilities; and

WHEREAS, the 2020B Base Rental Payments have been pledged by the Authority as security for the payment of principal of and interest on its Lease Revenue Refunding Bonds, Series 2020A (Federally Tax-Exempt) (Ukiah Community Facilities Acquisition and Improvement Project), in the aggregate principal amount of \$ _____ (the “Tax-Exempt Bonds”), and its Lease Revenue Refunding Bonds, Series 2020B (Federally Taxable) (CalPERS Prepayment Project), in the aggregate principal amount of \$ _____ (the “Taxable Bonds,” and together with the Tax-Exempt Bonds, the “Bonds”), authorized and issued pursuant to an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and the Trustee; and

WHEREAS, in order to make the Bonds marketable on terms acceptable to the Authority, the Authority desires to assign and transfer its rights under the 2020B Lease and the 2020B Site Lease to the Trustee for the benefit of the Owners of the Bonds; and

WHEREAS, each of the parties has authority to enter into this 2020B Assignment Agreement, and has taken all actions necessary to authorize its respective officers to execute it.

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

Section 1. Definitions.

All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture or the 2020B Lease, as appropriate.

Section 2. Assignment.

The Authority does hereby assign and transfer without recourse to the Trustee all of the Authority's rights, title and interest in and to (but none of its obligations under) the 2020B Lease and the 2020B Site Lease (excepting only (i) the Authority's rights to give approvals and consents thereunder, including, without limitation, to amendments, and the Authority's rights to the payment of Additional Rental Payments pursuant to Section 3(b) of the 2020B Lease and to indemnification pursuant to Section 15 of the 2020B Lease, and (ii) the Authority's rights to receive lease payments other than the 2020B Base Rental Payments), including the Authority's rights to receive 2020B Base Rental Payments, as well as its rights to enforce payment of such 2020B Base Rental Payments when due or otherwise to protect its interests in the event of a default by the City under the 2020B Lease, in accordance with the terms thereof, in trust nonetheless, and provided that should the Authority well and truly perform all of its obligations under the Indenture, this 2020B Assignment Agreement shall terminate and all interest in the 2020B Lease and the 2020B Site Lease shall revert to the Authority. The 2020B Base Rental Payments shall be applied, and the rights of the Authority assigned hereunder shall be exercised by the Trustee, as provided in the Indenture.

Section 3. Acceptance.

The Trustee hereby accepts the assignments made herein for the purpose of securing, equally and proportionately, the payments due pursuant to the 2020B Lease, 2020B Site Lease and Indenture to, and the rights under the 2020B Lease, 2020B Site Lease and Indenture of, the Owners of the Bonds delivered pursuant to the Indenture, all subject to the provisions of the Indenture.

Section 4. No Additional Rights or Duties.

Excepting only the assignment and transfer of rights to the Trustee pursuant to Section 2 hereof, this 2020B Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the 2020B Lease, the 2020B Site Lease and the Indenture. The Trustee does not warrant the accuracy of any of the recitals hereto. This 2020B Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the City beyond those expressly provided in the 2020B Lease, the 2020B Site Lease and the Indenture or as otherwise set forth herein.

Section 5. Substitution or Release.

Upon the substitution or release of 2020B Leased Facilities subject to the 2020B Lease by the City and the Authority pursuant to Section 7 of the 2020B Lease, the 2020B Leased Facilities subject to this 2020B Assignment Agreement shall be modified to the same extent, and the Authority and the Trustee shall execute and cause to be recorded corrective instruments reflecting such substitution or release.

Section 6. Further Assurances.

The Trustee 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 2020B Assignment Agreement, and for the better assuring and confirming to the Trustee the rights and obligations intended to be conveyed pursuant hereto.

Section 7. Law Governing.

This 2020B Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 8. Binding Effect; Successors.

This 2020B Assignment Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this 2020B Assignment Agreement any party is named or referred to, such reference shall be deemed to include such party's successors and assigns and all covenants and agreements contained in this 2020B Assignment Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

Section 9. Counterparts.

This 2020B Assignment 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.

[Signature Page to Follow on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this 2020B Assignment Agreement by their respective officers thereunto duly authorized as of the day and year first written above.

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Daniel Buffalo, Treasurer

Attest:

By: _____
Mary Horger, Secretary

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

By: _____
Authorized Signatory

EXHIBIT A

DESCRIPTION OF THE 2020B LEASED FACILITIES

The Leased Property consists of consists of ____ lane miles of streets in the City.

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MENDOCINO

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

INDENTURE

Dated as of October 1, 2020

by and between

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

and the

UKIAH PUBLIC FINANCING AUTHORITY

Relating to the

**\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)**

**\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)**

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INDENTURE

THIS INDENTURE, dated as of October 1, 2020, is by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”), and the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers authority and public body duly organized and existing under the laws of the State of California (the “Authority”);

W I T N E S S E T H:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Powers Agreement (as defined herein), and under the provisions of Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of financing public capital improvements; and

WHEREAS, the City of Ukiah (the “City”) desires to finance the acquisition, design, construction, installation, renovation, furnishing and/or reimbursement of certain real property and improvements constituting a new customer service center for the City and a new roof for the City museum, all as more particularly described in Exhibit A hereto (the “Ukiah Community Facilities Acquisition and Improvement Project”); and

WHEREAS, the City desires that the Authority issue its Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project) (the “2020A Bonds”) for the purposes of, among other things, funding part or all of the Ukiah Community Facilities Acquisition and Improvement Project; and

WHEREAS, the City is obligated by the Public Employees’ Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the “Retirement Law”), to make payments relating to pension benefits accruing to the California Public Employees’ Retirement System’s (“CalPERS”) members, including the City; and

WHEREAS, the City is obligated specifically to make certain payments to CalPERS in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS that amortize such obligations over a fixed period of time (collectively, the “CalPERS Obligation”); and

WHEREAS, the Pension Obligation is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the “CalPERS Contract”); and

WHEREAS, the City desires that the Authority issue its Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project) (the “2020B Bonds,” and together with the 2020A Bonds, the “Bonds”) for the purposes of, among other things, prepaying part or all of its CalPERS Obligation (the “CalPERS Prepayment Project,” and together with the Ukiah Community Facilities Acquisition and Improvement Project, the “Project”); and

WHEREAS, the Authority has determined to issue the Bonds pursuant to this Indenture and the Act

for such purposes; and

WHEREAS, in order to finance the Ukiah Community Facilities Acquisition and Improvement Project, the City will lease to the Authority certain real property (the “2020A Site”) and improvements thereon (the “2020A Facilities,” and together with the 2020A Site, the “2020A Leased Facilities”) pursuant to a 2020A Site and Facilities Lease, dated as of October 1, 2020, between the Authority and City (the “2020A Site Lease”); and

WHEREAS, in order to finance the CalPERS Prepayment Project, the City will lease to the Authority certain real property (the “2020B Site,” and together with the 2020A Site, the “Site”) and improvements thereon (the “2020B Facilities,” and together with the 2020A Facilities, the “Leased Facilities,” and together with the 2020B Site, the “2020B Leased Facilities”) pursuant to a 2020B Site and Facilities Lease, dated as of October 1, 2020, between the Authority and City (the “2020B Site Lease,” and together with the 2020A Site Lease, the “Site Lease”); and

WHEREAS, the Authority and the City have entered into a 2020A Lease Agreement, dated as of October 1, 2020 (the “2020A Lease”), whereby the Authority has agreed to lease the 2020A Leased Facilities to the City in consideration for base rental payments to be made by the City pursuant to the 2020A Lease, in accordance with the base rental schedule attached thereto (the “2020A Base Rental Payments”); and

WHEREAS, the Authority and the City have entered into a 2020B Lease Agreement, dated as of October 1, 2020 (the “2020B Lease,” and together with the 2020A Lease, the “Lease”), whereby the Authority has agreed to lease the 2020B Leased Facilities to the City in consideration for base rental payments to be made by the City pursuant to the 2020B Lease, in accordance with the base rental schedule attached thereto (the “2020B Base Rental Payments,” and together with the 2020B Base Rental Payments, the “Base Rental Payments”); and

WHEREAS, the Authority has assigned without recourse all its rights to receive the 2020A Base Rental Payments scheduled to be paid by the City under and pursuant to the 2020A Lease, along with certain other rights under this Indenture, to the Trustee pursuant to a 2020A Assignment Agreement, dated as of October 1, 2020, by and between the Authority and Trustee (the “2020A Assignment Agreement”); and

WHEREAS, the Authority has assigned without recourse all its rights to receive the 2020B Base Rental Payments scheduled to be paid by the City under and pursuant to the 2020B Lease, along with certain other rights under this Indenture, to the Trustee pursuant to a 2020B Assignment Agreement, dated as of October 1, 2020, by and between the Authority and Trustee (the “2020B Assignment Agreement,” and together with the 2020B Assignment Agreement, the “Assignment Agreement”); and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and

binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

SECTION 1.01. Definitions.

Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture, have the meanings herein specified. In addition, all terms defined in the Lease and not otherwise defined herein shall have the respective meanings specified in the Lease.

“**Act**” means the provisions of Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State of California, as in existence on the Closing Date or as thereafter amended from time to time.

“**Additional Bonds**” means any additional Series of Bonds authorized by a Supplemental Indenture that are issued pursuant to this Indenture.

“**Additional Rental Payments**” means the additional rental payable by the City under and pursuant to Section 3(b) of the applicable Lease.

“**Annual Debt Service**” means, for each Bond Year with respect to each of the Bonds, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“**2020A Assignment Agreement**” means the 2020A Assignment Agreement relating to the 2020A Bonds, dated as of October 1, 2020, by and between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

“**2020B Assignment Agreement**” means the 2020B Assignment Agreement relating to the 2020B Bonds, dated as of October 1, 2020, by and between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

“Assignment Agreement” means the 2020A Assignment Agreement and the 2020B Assignment Agreement.

“Authority” means the Ukiah Public Financing Authority, a joint powers authority and public body duly organized and existing under the Joint Powers Agreement and the laws of the State of California.

“Authority Board” means the governing Board of the Authority.

“Authority Representative” means the Chair, Vice Chair, Executive Director, Treasurer or Secretary of the Authority, or any other person authorized by resolution of the Board of the Authority to act on behalf of the Authority under or with respect to this Indenture.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“2020A Base Rental Payments” means, collectively, all payments required to be paid by the City pursuant to Section 3 of the 2020A Lease including any prepayment thereof pursuant to Section 12 of the 2020A Lease.

“2020B Base Rental Payments” means, collectively, all payments required to be paid by the City pursuant to Section 3 of the 2020B Lease including any prepayment thereof pursuant to Section 12 of the 2020B Lease.

“Base Rental Payments” means the 2020A Base Rental Payments and the 2020B Base Rental Payments.

“Bond Counsel” means (a) The Weist Law Firm, and (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 pursuant to Section 103 of the Tax Code.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

“Bondowner” or **“Owner”** means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

“Bond Register” means the registration books for the ownership of Bonds maintained by the Trustee pursuant to Section 2.12 hereof.

“2020A Bonds” means the Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project), issued hereunder in the aggregate principal amount of \$ _____.

“2020B Bonds” means the Ukiah Public Financing Authority, Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project), issued hereunder in the aggregate principal amount of \$ _____.

“Bonds” means the 2020A Bonds and the 2020B Bonds, issued pursuant to terms and provisions of this Indenture, and, where the context requires, any Additional Bonds.

“Bond Year” means each twelve-month period extending from October 2 in one calendar year to October 1 in the succeeding calendar year, both dates inclusive, except that the first Bond Year shall extend from the Closing Date to October 1, 2021.

“Business Day” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are not closed.

“CalPERS Prepayment Project” means the prepayment by the City to CalPERS of part or all of its CalPERS Obligation from proceeds of the 2020B Bonds, all as more particularly described in the 2020B Lease.

“City” means the City of Ukiah, a municipal corporation duly organized and existing under the laws of the State of California.

“City Representative” means the Mayor, Vice Mayor, City Manager, Finance Director, City Clerk, Deputy City Clerk or any other person authorized by resolution of the City Council of the City to act on behalf of the City under or with respect to this Indenture.

“Closing Date” means October __, 2020, being the day when the Bonds, duly authenticated by the Trustee, are delivered to the Original Purchaser.

“Code” or **“Tax Code”** means the Internal Revenue Code of 1986, as amended. Any reference herein to a provision of the Tax Code shall include all applicable Tax Regulations promulgated with respect to such provision.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of original execution and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the term thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the execution and delivery of the Lease or the execution, sale and delivery of a series of Bonds, including but not limited to all document preparation expenses in connection with this Indenture, the Lease, the Site Lease, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, 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 (including fees and expenses of Bond and Disclosure Counsel), insurance fees and charges, recording and title insurance costs, financial and other professional consultant fees, costs of rating agencies for credit ratings, bond insurance premium and fees, costs of any guarantee or surety, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name created pursuant to Section 3.03 hereof.

“County” means the county of Mendocino, California.

“Ukiah Community Facilities Acquisition and Improvement Project” means the acquisition, design, construction, installation, renovation, furnishing and/or reimbursement of certain real property and improvements constituting a new customer service center for the City and a new roof for the City museum, all as more particularly described in the 2020A Lease.

“Depository” means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to Section 2.13 hereof, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

“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. References in this Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

“Event of Default” means any of the events described in Section 8.01 hereof.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any direct, noncallable 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), or other noncallable obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest.

“Fiscal Year” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, both dates inclusive, or any other twelve-month period by the Authority as its fiscal year pursuant to written notice filed with the Trustee.

“Fitch” means Fitch, Inc., its successors and assigns.

“Indenture” means this Indenture, dated as of October 1, 2020, as originally executed or as thereafter amended or supplemented pursuant to any amendments or supplement hereto permitted to be made hereunder.

“Independent Certified Public Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by the Authority, and who, or each of whom:

- (1) is in fact independent and not under domination of the City or Authority;
- (2) does not have any substantial interest, direct or indirect, with the City or Authority; and
- (3) is not connected with the City or Authority as an officer or employee of the City or Authority, but who may be regularly retained to make reports to the City or Authority.

“Independent Financial Consultant” means any financial consultant or firm of such consultants appointed by the City or Authority, and who, or each of whom:

- (1) is in fact independent and not under domination of the City or Authority;
- (2) does not have any substantial interest, direct or indirect, with the City or Authority; and
- (3) is not connected with the City or Authority as an officer or employee of the City or Authority, but who may be regularly retained to make reports to the City or Authority.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at <http://emma.msrb.org>; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

“Interest Account” means the account by that name established and held by the Trustee pursuant to Section 4.02 hereof.

“Interest Payment Date” means April 1 and October 1 of each year, commencing April 1, 2021, so long as any Bonds are Outstanding.

“Joint Powers Agreement” means that certain Joint Exercise of Powers Agreement dated as of May 5, 2020, as may be amended from time to time, by and between the City and the Industrial Development Authority of the City of Ukiah.

“2020A Lease” means the 2020A Lease Agreement relating to the 2020A Lease Facilities, dated as of October 1, 2020, by and between the Authority as lessor and the City as lessee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

“2020B Lease” means the 2020B Lease Agreement relating to the 2020B Lease Facilities, dated as of October 1, 2020, by and between the Authority as lessor and the City as lessee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

“Lease” means the 2020A Lease Agreement and the 2020B Lease Agreement.

“2020A Leased Facilities” means, collectively, the 2020A Site and the 2020A Facilities.

“2020B Leased Facilities” means, collectively, the 2020 Site and the 2020B Facilities.

“Leased Facilities” means the 2020A Leased Facilities and the 2020B Leased Facilities.

“Lease Revenue Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.02 hereof.

“Maximum Annual Debt Service” in respect of any Bond Year means the largest of the sums obtained for that or any succeeding Bond Year after totaling the following for each such Bond Year:

A. The principal amount of all Outstanding Bonds maturing or required to be redeemed by mandatory sinking account redemption in such Bond Year; and

B. The interest which would be due during such Bond Year on the aggregate principal amount of Bonds which would be Outstanding in such Bond Year if the Bonds Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Bonds already retired in advance of the above-mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Proceeds” means insurance proceeds or an 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 Facilities, 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 pursuant to Section 2.15 of this Indenture.

“Office” or **“Trust Office”** means the office of the Trustee in Los Angeles, California or such other offices as may be specified to the Authority by the Trustee in writing or, solely for purposes of the surrender of the Bonds for payment, transfer or exchange, the corporate trust operations or agency office designated by the Trustee.

“Opinion of Counsel” means a written opinion of Bond Counsel.

“Original Purchaser” means _____, the original purchaser of the Bonds from the Authority.

“Outstanding” means used as of any particular time with respect to Bonds and Additional Bonds, means (subject to the provisions of Section 9.07) all Bonds and Additional Bonds theretofore executed, issued and delivered by the Authority under this Indenture, except:

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds deemed to have been paid pursuant to Section 9.03 hereof; and
- (c) Bonds in lieu of or in exchange for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture or any Supplemental Indenture.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Request of the Authority directing investment in such Permitted Investment as a certification by the Authority to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value:

(a) Direct 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) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons at the time of purchase rated or assessed in the highest rating category by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities.

(b) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which at the time of purchase are rated the same rating as direct obligations of the United States of America by S&P and Moody’s.

(c) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(d) Deposit accounts, including time deposits, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, certificates of deposit (including those placed by a third party pursuant to an agreement between the Trustee and the Authority) or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are at the time of purchase rated no lower than A-1 by S&P and P-1 by Moody’s including those of the Trustee and its affiliates.

(e) Federal funds or banker's acceptances with a maximum term of one year of any bank that at the time of purchase (i) has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee and its affiliates) or (ii) is insured by the FDIC.

(f) Repurchase or reverse repurchase obligations (including those of the Trustee or any of its affiliates) with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations at the time of purchase are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(g) Taxable government money market portfolios that at the time of purchase have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios for which Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(h) Tax-exempt government money market portfolios that at the time of purchase have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest rating categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(i) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that at the time of purchase have a rating by S&P of AA-Am-G or AA-Am and rated in one of the two highest rating categories of Moody's, including those managed or advised by the Trustee or its affiliates or for which the Trustee or an affiliate of the Trustee serves as administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(j) Commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody's and S&P, of A1 and P1, respectively.

(k) The Local Agency Investment Fund of the State, 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.

(l) Investment agreements, including guaranteed investment contracts (“GICs”) forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, at the time of entrance into such agreement by S&P or Moody’s, in one of the three highest rating categories assigned by such agencies.

(m) The California Investment Trust managed by The California Investment Trust Retirement Plan Group.

(n) Any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds.

“**Principal Account**” means the account by that name established and held by the Trustee pursuant to Section 4.02 hereof.

“**Principal Payment Date**” means each October 1, commencing October 1, 2021.

“**Project**” means, collectively, the Ukiah Community Facilities Acquisition and Improvement Project and the CalPERS Prepayment Project, or as described in any Supplemental Indenture.

[“**Qualified Reserve Fund Credit Instrument**” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank, national banking association or insurance company and deposited with the Trustee pursuant to Section 3.04(d) provided that all of the following requirements are met: (i) the long-term credit rating of such bank or insurance company at the time of delivery of such letter of credit or surety bond is rated in one of the two highest rating categories by Moody’s or S&P and, if rated by A.M. Best & Company, a minimum rating of “A”; (ii) such letter of credit or surety bond or policy has a term which ends no earlier than the last Interest Payment Date of the Bonds; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2020A Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 3.04(d); and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amounts available to repay the principal of and interest on the Bonds.]

“**Rebate Fund**” means the fund by that name established and held by the Trustee pursuant to Section 4.03.

“**Rebate Requirement**” means, in respect of an issue of Bonds, obligations imposed under section 148(f) the Code in respect of such issue.

“**Record Date**” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business day.

“**Redemption Fund**” means the fund by that name established pursuant to Section 4.06 hereof.

“**Registration Books**” means the records maintained by the Trustee pursuant to Section 2.09 for registration of the ownership and transfer of ownership of the Bonds.

“Rental Payments” means, collectively, the Base Rental Payments, any additional base rental payments made in connection with Additional Bonds and any Additional Rental Payments.

“Request of the Authority” means a request in writing signed by an Authority Representative or by any other officer of the Authority duly authorized by an Authority Representative for that purpose, as evidenced in writing to the Trustee.

“Request of the City” means a request in writing signed by a City Representative or by any other officer of the City duly authorized for that purpose.

“Reserve Account” means any reserve account which secures one or more Series of Additional Bonds as provided in the Supplemental Indenture providing for the establishment thereof.

“Revenues” means (a) all Base Rental Payments payable by the City pursuant to the Lease (including prepayments); (b) any proceeds of Bonds originally deposited with the Trustee and all moneys and accounts established hereunder; (c) investment income with respect to any moneys held by the Trustee; and (d) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Base Rental Payments, including rental interruption insurance.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, New York, New York, or its successors.

“Securities Depositories” means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository pursuant to Section 2.13, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority..

“Series” whenever used in this Indenture with respect to the Bonds or Additional Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided herein.

“2020A Site Lease” means that certain 2020A Site and Facilities Lease, dated as of October 1, 2020, by and between the City and the Authority, pursuant to which the Authority leases the 2020A Leased Facilities from the City.

“2020B Site Lease” means that certain 2020B Site and Facilities Lease, dated as of October 1, 2020, by and between the City and the Authority, pursuant to which the Authority leases the 2020B Leased Facilities from the City.

“Site Lease” means the 2020A Site Lease and the 2020B Site Lease.

“State” means the State of California.

“Supplemental Indenture” means any resolution, agreement or other instrument then in full force and effect which amends or supplements this Indenture, and which has been duly adopted or entered into by the City or Authority; but only if and to the extent that such Supplemental Indenture is specifically authorized under this Indenture.

“Tax Certificate” means the tax certificate delivered by the Authority and the City at the time of the issuance and delivery of the 2020A Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including interest on the 2020A Bonds, that such interest is intended to be excluded from the gross income of the holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Term Bonds” means the Bonds that are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States, or any successor thereto as Trustee hereunder, appointed as provided herein.

“Written Certificate of the Authority” and **“Written Request of the Authority”** mean, respectively, any written certificate or written request signed in the name of the Authority by an Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument

“Written Certificate of the City” and **“Written Request of the City”** mean, respectively, any written certificate or written request signed in the name of the City by a City Representative. Any such certificate or request may, but need, not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

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

SECTION 1.03. Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.04. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and

hereby finds and determines that all things, conditions, and acts required by law to exist, to happen and to be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under this Indenture and the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture for the purpose described in the recitals hereof.

SECTION 1.05. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the principal of, premium, if any, and interest on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. Designations. The 2020A Bonds are authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture and shall be designated the “Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A (Capital Improvement Refunding Project),” and shall be issued in the original aggregate principal amount of \$_____. The 2020B Bonds are authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture and shall be designated the “Ukiah Public Financing Authority, Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project),” and shall be issued in the original aggregate principal amount of \$_____.

SECTION 2.02(a). Terms of 2020A Bonds. The 2020A Bonds shall be dated the Closing Date, shall mature on the dates and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates per annum as follows:

Maturity Date <u>(October 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
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SECTION 2.02(b). Terms of 2020A Bonds. The 2020A Bonds shall be dated the Closing Date, shall mature on the dates and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates per annum as follows:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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The Bonds shall be delivered in fully registered form, numbered from one upwards in consecutive numerical order (with such alphabetical prefix as the Trustee shall determine). The Bonds shall be executed and delivered in their respective Authorized Denominations.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated during the period from the day after the Record Date for an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to the Record Date for the first Interest Payment Date, in which event it shall bear interest from October __, 2020; provided, however, that if, at the time of authentication of any Bond interest with respect to such Bond is in default, such Bond shall bear interest from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Bond.

Interest with respect to any Bond shall be payable in lawful money of the United States of America on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed by first class mail no later than the Interest Payment Date to the Owner at his address as it appears, on such Record Date, on the Registration Books maintained by the Trustee; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the Bonds shall be paid by check or draft to the registered Owners of the Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the Bonds not less than ten days prior thereto. The principal of and premium, if any, on the Bonds are payable by check when due upon surrender thereof at the Trust Office in lawful money of the United States of America.

SECTION 2.03. Redemption of Bonds.

(a) **Extraordinary Redemption.** The Bonds and any Additional Bonds are subject to redemption prior to their respective maturity dates, upon written notice from the Authority to the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee, in the sole discretion of the Trustee), as a whole or in part on a pro rata basis, on any date from prepayments of Base Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of the Leased Facilities or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Facilities or any portion thereof, under the circumstances and upon the conditions and terms prescribed herein and in the Lease.

Redemption pursuant to this subparagraph (a) shall be made at a redemption price equal to the sum of the principal of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium. To the extent Net Proceeds are not sufficient to redeem all Outstanding Bonds, the 2020A Bonds and the 2020A Bonds shall be redeemed on a pro-rata basis, as designated pursuant to a Written Certificate of the Authority.

(b)(i) **Optional Redemption Pertaining to 2020A Bonds.** The 2020A Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to their stated maturities. The 2020A Bonds maturing on or after October 1, 20__, are subject to redemption prior to their stated maturities, on any Business Day on or after October 1, 20__, as a whole or in part by such maturities as may be designated by the Authority to the Trustee at least forty-five (45) days prior to the redemption date, and by lot within any one maturity, from prepayments of 2020A Base Rental Payments made at the option of the City pursuant to the 2020A Lease, at a redemption price equal to the principal amount of the 2020A Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

(b)(ii) **Optional Redemption Pertaining to 2020B Bonds.** The 2020B Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to their stated maturities. The 2020B Bonds maturing on or after October 1, 20__, are subject to redemption prior to their stated maturities, on any Business Day on or after October 1, 20__, as a whole or in part by such maturities as may be designated by the Authority to the Trustee at least forty-five (45) days prior to the redemption date, and by lot within any one maturity, from prepayments of 2020B Base Rental Payments made at the option of the City pursuant to the 2020B Lease, at a redemption price equal to the principal amount of the 2020B Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

(c)(i) **Mandatory Sinking Account Redemption Pertaining to 2020A Bonds.** The 2020A Bonds maturing October 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments in each year as set forth in the following schedule, commencing October 1, 20__, and on October 1 in each year thereafter to and including October 1, 20__ at a redemption price equal to the principal amount of the 2020A Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

Redemption Date
(October 1)

Principal Amount
To be Redeemed

* Maturity

If some but not all of the 2020A Bonds have been redeemed pursuant to optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2020A Bonds so redeemed by reducing each such future sinking account payment as shall be designated by the Authority pursuant to written notice filed by Authority with the Trustee, or in the absence of such direction, on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by Authority with the Trustee.

In the event of any reductions in the amount of sinking account payments due as a result of some but not all of the 2020A Bonds being redeemed pursuant to extraordinary or optional redemptions, the Authority shall provide the Trustee with a revised schedule reflecting such reductions.

(c)(ii) **Mandatory Sinking Account Redemption Pertaining to 2020B Bonds**. The 2020B Bonds maturing October 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments in each year as set forth in the following schedule, commencing October 1, 20__, and on October 1 in each year thereafter to and including October 1, 20__ at a redemption price equal to the principal amount of the 2020B Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

**Redemption Date
(October 1)**

**Principal Amount
To be Redeemed**

* Maturity

If some but not all of the 2020B Bonds have been redeemed pursuant to optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2020B Bonds so redeemed by reducing each such future sinking account payment as shall be designated by the Authority pursuant to written notice filed by Authority with the Trustee, or in the absence of such direction, on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by Authority with the Trustee.

In the event of any reductions in the amount of sinking account payments due as a result of some but not all of the 2020B Bonds being redeemed pursuant to extraordinary or optional redemptions, the Authority shall provide the Trustee with a revised schedule reflecting such reductions.

(d) **Notice of Redemption**. The Trustee on behalf and at the expense of the Authority shall mail

(by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, to their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption, *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Such notice shall state the date of the notice, the redemption date, the redemption price and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of either the 2020A Bonds or the 2020B Bonds, as the case may be) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Such notice shall further state, if so determined by the Authority pursuant to Section 2.03(i) below, that such notice may be rescinded at any time prior to the redemption date.

Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that, neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

(e) **Purchase in Lieu of Redemption.** At any time prior to the selection of Bonds for redemption, the Trustee may, upon written direction of the City, apply amounts held for redemption of Bonds to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest payable from the Interest Account) as the City may direct the Trustee, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price of such Bonds; and provided further that in the case of optional redemption, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts for redemption may be used for payment of such Bonds to be redeemed in order of their due date as set forth in a request of the City.

(f) **Selection of Bonds for Redemption.** Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption, by such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bands, which may be separately redeemed.

(g) **Partial Redemption of Bonds.** If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

(h) **Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All Bonds redeemed pursuant to this Section 2.03 shall be canceled by the Trustee.

All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

(i) ***Rescission of Redemption.*** The Authority has the right to rescind any notice of optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Indenture.

SECTION 2.04. Form of Bonds.

The form of 2020A Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A-1 attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture. The form of 2020A Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A-2 attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.05. Execution of Bonds.

The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Executive Director or Treasurer, and attested with the manual or facsimile signature of its Secretary or any Assistant Secretary duly appointed by the Authority Board, and shall be delivered to the Trustee for authentication. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually authenticated on behalf of the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. Transfer of Bonds.

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon presentation and

surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer, pursuant to this Section, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected and noticed for redemption pursuant to Section 2.03(d). Prior to any transfer of the Bonds 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.

SECTION 2.07. Exchange of Bonds.

Bonds may be exchanged at the Trust Office of the Trustee for the same aggregate principal amount of Bonds of the same tenor, interest rate, series designation, and maturity and of other authorized denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange, pursuant to this Section, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to Section 2.03(d).

SECTION 2.08. Temporary Bonds.

The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds definitive Bonds of like tenor, maturity and aggregate principal amount in authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Registration Books.

The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said

records, Bonds as herein provided.

SECTION 2.10. Bonds Mutilated, Lost, Destroyed or Stolen.

If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, maturity and aggregate principal amount in an authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence shall be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.11. Book-Entry System; Limited Obligation.

The Bonds shall be initially executed, authenticated and delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of each series of Bonds. Upon initial execution, authentication and delivery, the ownership of each such Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.13 hereof, all of the Outstanding Bonds shall be registered in the Bond Register kept by the Trustee in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond shall bear a legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

With respect to Bonds registered in the Bond Register in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any Depository Participant or to any person on behalf of which such a Depository Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Depository Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Depository Participant,

beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice, (c) the selection by the Depository and the Depository Participants of the beneficial interests in the Bonds to be redeemed in part, or (d) the payment to any Depository Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, interest on, or premium, if any, of the Bonds.

The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on, the Bond, for the purpose of giving Redemption Notices with respect to the Bonds and other notices with respect to the Bonds, and for all other purposes whatsoever, including without limitation, registering transfers with respect to the Bonds.

The Trustee shall pay all principal of, premium, if any, and interest on, the Bonds only to or upon the order of the respective Bond Owners, as shown in the Bond Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on, such Bond pursuant to this Indenture. Upon delivery by the Depository to the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues (other than deposits to the Rebate Fund created by the Indenture), and the Revenues (other than deposits to the Rebate Fund created by the Indenture) constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority are not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

SECTION 2.12. Representation Letter.

To qualify the Bonds for the Depository's book-entry system, the Authority shall execute, countersign and deliver to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.11 hereof or in any other way impose upon the Authority or the City any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register kept by the Trustee. In the written acceptance by the Trustee of the Representation Letter, the Trustee shall agree, and hereby agrees, to take all actions necessary for all representations of the Trustee in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority Representative and all other officers of the Authority, and their respective deputies and designees, each is hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

SECTION 2.13. Transfers Outside Book-Entry System.

If at any time the Depository notifies the Authority that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, Section 2.11 hereof shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Bonds as provided below. In addition, the Authority may determine at any time that the Bonds shall no longer be represented by global bonds and that the provisions of Section 2.11 hereof shall no longer apply to the Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Bonds as provided below. Bonds executed, authenticated and delivered in exchange for global bonds pursuant to this Section 2.13 shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Depository Participants or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such bonds representing the Bonds to the persons in whose names such Bonds are so registered.

If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or cause to be prepared a new fully-registered global bond for each of the maturities of the Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the Authority, the Trustee and such securities depository and not inconsistent with the terms of this Indenture.

SECTION 2.14. Payments and Notices to the Nominee.

Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

SECTION 2.15. Initial Depository and Nominee.

The initial Depository under this Indenture shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of Bonds.

Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds to the Trustee for authentication and delivery to the original purchaser thereof upon the Request of the Authority.

SECTION 3.02(a). Application of Proceeds of Sale of 2020A Bonds and Other Moneys.

Upon the receipt of payment for the 2020A Bonds on the Closing Date, the Trustee shall apply \$_____ of the net proceeds of the sale of the 2020A Bonds (representing the principal amount of the 2020A Bonds of \$_____, [plus][less] net original issue [premium][discount] of \$_____, less underwriter's discount of \$_____, as follows:

- (a) The Trustee shall deposit the amount of \$_____ in the 2020A Costs of Issuance Fund.
- (b) The Trustee shall deposit the amount of \$_____ in the 2020A Project Fund.

For record keeping purposes the Trustee may establish such funds and accounts as may be necessary to reflect such deposits.

SECTION 3.02(b). Application of Proceeds of Sale of 2020B Bonds and Other Moneys.

Upon the receipt of payment for the 2020B Bonds on the Closing Date, the Trustee shall apply \$_____ of the net proceeds of the sale of the 2020B Bonds (representing the principal amount of the 2020B Bonds of \$_____, [plus][less] net original issue [premium][discount] \$_____, less underwriter's discount of \$_____, as follows:

- (a) The Trustee shall deposit the amount of \$_____ in the 2020B Costs of Issuance Fund.
- (b) The Trustee shall transfer the amount of \$_____ to CalPERS pursuant to a Written Request of the Authority dated the Closing Date.

For record keeping purposes the Trustee may establish such funds and accounts as may be necessary to reflect such deposits.

SECTION 3.03(a). 2020A Costs of Issuance Fund.

There is hereby established a fund to be held by the Trustee known as the "2020A Costs of Issuance Fund," into which shall be deposited a portion of the proceeds of the sale of the 2020A Bonds pursuant to Section 3.02(a). The moneys in the 2020A Costs of Issuance Fund shall be used to pay Costs of Issuance pertaining to the 2020A Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by a City or Authority Representative in substantially the form set forth as Exhibit C hereto. Each such requisition shall: (a) identify the total amount of such costs to be paid pursuant to such requisition, including all items of cost in such detail as may be available to the City or Authority; and (b) state with respect to such disbursement (i) the requisition number, (ii) the amount to be disbursed for payment of such costs, and (iii) that each item of cost identified therein has been properly incurred, and is a proper charge against the 2020A Costs of Issuance Fund and has not been the basis of any previous disbursement. The Trustee may conclusively rely on requisitions submitted in accordance with this Section 3.03(a) as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

On the date that is 180 days following the Closing Date or upon the earlier receipt by the Trustee of a Written Request of either the City or Authority certifying that all Costs of Issuance pertaining to the 2020A

Bonds have been paid or provided for, the Trustee shall transfer any remaining amounts in the 2020A Costs of Issuance Fund to the Lease Revenue Fund, and the Trustee shall then close the 2020A Costs of Issuance Fund.

SECTION 3.03(b). 2020B Costs of Issuance Fund.

There is hereby established a fund to be held by the Trustee known as the “2020B Costs of Issuance Fund,” into which shall be deposited a portion of the proceeds of the sale of the 2020A Bonds pursuant to Section 3.02(b). The moneys in the 2020B Costs of Issuance Fund shall be used to pay Costs of Issuance pertaining to the 2020A Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by a City or Authority Representative in substantially the form set forth as Exhibit C hereto. Each such requisition shall: (a) identify the total amount of such costs to be paid pursuant to such requisition, including all items of cost in such detail as may be available to the City or Authority; and (b) state with respect to such disbursement (i) the requisition number, (ii) the amount to be disbursed for payment of such costs, and (iii) that each item of cost identified therein has been properly incurred, and is a proper charge against the 2020B Costs of Issuance Fund and has not been the basis of any previous disbursement. The Trustee may conclusively rely on requisitions submitted in accordance with this Section 3.03(b) as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

On the date that is 180 days following the Closing Date or upon the earlier receipt by the Trustee of a Written Request of either the City or Authority certifying that all Costs of Issuance pertaining to the 2020A Bonds have been paid or provided for, the Trustee shall transfer any remaining amounts in the 2020B Costs of Issuance Fund to the Lease Revenue Fund, and the Trustee shall then close the 2020B Costs of Issuance Fund.

[SECTION 3.04. Reserve Fund.]

(a) There is hereby created a separate fund to be known as the “Reserve Fund,” which shall be held in trust by the Trustee. An amount equal to the Reserve Requirement shall be maintained in the Reserve Fund at all times, subject to the provisions of Section 4.02(c), and any deficiency therein shall be replenished from the first available Revenues pursuant to Section 4.02(c).

(b) Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, including the redemption price of the Bonds coming due and payable by operation of mandatory sinking fund redemption pursuant to Section 2.03, if the Revenues are insufficient therefor. If the amount on deposit in the Lease Revenue Fund on any date is insufficient to enable the Trustee to pay in full the aggregate amount of principal of and interest on the Bonds coming due and payable, including the redemption price of the Bonds coming due and payable by operation of mandatory sinking fund redemption pursuant to Section 2.03, the Trustee shall withdraw the amount of such insufficiency from the Reserve Fund and transfer such amount to the Lease Revenue Fund.

(c) If the amount on deposit in the Reserve Fund exceeds the Reserve Requirement on the fifteenth (15th) calendar day of the month preceding any Interest Payment Date, the amount of such excess shall be withdrawn therefrom by the Trustee and transferred to the Lease Revenue Fund and credited against the Base Rental Payments next due from the City.

(d) The Authority may fund all or a portion of the Reserve Requirement with one or more Qualified Reserve Fund Credit Instruments. In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Authority shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. If the Qualified Reserve Fund Credit Instrument is drawn upon, the Authority shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to Section 4.02.

If the Qualified Reserve Fund Credit Instrument will lapse or expire, the Trustee shall draw upon such Qualified Reserve Fund Credit Instrument prior to its lapsing or expiring in the full amount of such Qualified Reserve Fund Credit Instrument, make deposits from available Revenues to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement or substitute such Qualified Reserve Fund Credit Instrument with a Qualified Reserve Fund Credit Instrument that satisfies the requirements of this subsection (d).]

SECTION 3.05. Insurance and Condemnation Fund.

The Trustee shall establish and maintain a separate fund to be known as the “Insurance and Condemnation Fund,” into which shall be deposited Net Proceeds deposited therein pursuant to Section 10 of the Lease. The Trustee shall disburse or transfer all amounts in the Insurance and Condemnation Fund, as stated in a Written Request of the City (as described below) for the payment of the cost of the reconstruction of the Leased Facilities (including reimbursement to the City for any such costs paid by it). Before any payment of money is made from the Insurance and Condemnation Fund, the Authority shall file or shall cause the City to file with the Trustee a requisition in substantially the form set forth as Exhibit C hereto. The Trustee may conclusively rely on requisitions submitted in accordance with this Section 3.05 as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

SECTION 3.06. Additional Bonds.

(a) **Conditions for the Issuance of Additional Bonds.** The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Bonds) payable from Revenues as provided herein on a parity with all other Bonds theretofore issued hereunder and under the corresponding Supplemental Indenture, but only subject to the following conditions, which are hereby made conditions precedent to the issuance of such Additional Bonds:

(1) neither the Authority nor the City shall be in default under this Indenture, the Lease or the Site Lease;

(2) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant hereto and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for one or more of the following purposes: (A) providing funds to pay costs of City facilities (including

capitalized interest), (B) providing funds to refund any Bonds issued hereunder or other obligations of the City, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to any Reserve Account;

(ii) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which shall be Authorized Denominations;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either April 1 or October 1;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on October 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on October 1, (B) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (C) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds;

(vii) the designation as to whether or not such Additional Bonds shall be secured by a Reserve Account; and

(viii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof; and

(3) upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period shall not be in excess of the annual fair rental value of the Leased Facilities after taking into account the use of the proceeds of such Additional Bonds (evidence of the satisfaction of such condition shall be made by a Written Certificate of the City).

(b) **Procedure for the Issuance of Additional Bonds.** Whenever the Authority and the City shall determine to authorize the issuance of any Additional Bonds, the Authority, the City and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of Section 3.06(a) hereof. Before such Additional Bonds shall be issued, the Authority and the City shall file or cause to be filed with the Trustee the following:

(1) an Opinion of Counsel setting forth (i) that counsel rendering such opinion has examined the Supplemental Indenture, the amendment to the Lease, if any, and the amendment to the Site Lease, if any, (ii) that the issuance of the Additional Bonds has been duly authorized by the Authority, (iii) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Lease and the Site Lease have been duly authorized, executed and delivered by the Authority and the City, (iv) that upon execution and delivery of such Supplemental Indenture and any such amendments to the Lease and the Site Lease, this Indenture, as amended and supplemented by such Supplemental Indenture, and, if so amended, the Lease and the Site Lease, as amended by such amendments, will be valid and binding obligations of the Authority and the City, and (v) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Lease and the Site Lease, in and of themselves, do not adversely affect the exclusion from gross income for federal income tax purposes of interest on 2020A Bonds;

(2) a Written Certificate of the Authority that the requirements of Section 3.06(a) hereof have been met;

(3) a Written Certificate of the City that the requirements of Section 3.06(a) hereof have been met, which shall include a certification as to the fair rental value of the Property, after giving effect to any amendments to the Lease and the Site Lease entered into in connection with the issuance of the Additional Bonds and taking into account the use of proceeds of such Additional Bonds;

(4) certified copies of the resolutions of the Authority Board and the City Council of the City authorizing the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Lease and the Site Lease;

(5) executed counterparts or duly authenticated copies of the Supplemental Indenture and, if any, the amendments to the Lease and the Site Lease, with satisfactory evidence that any such amendments to the Lease and the Site Lease have been duly recorded in the appropriate records of the county in which the Leased Facilities is located;

(6) certified copies of the policies of insurance required by Section 9 of the Lease or certificates thereof, which shall evidence that the amounts of the insurance required under subsections (c) and (d) of Section 9 of the Lease have been increased, if applicable, to cover the amount of such Additional Bonds; and

(7) a CLTA or ALTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in Section 8 of the Lease.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of said instruments that all of the documents required by this Section have been delivered, the Trustee shall authenticate such Additional Bonds, and shall deliver such Additional Bonds to, or upon the request of, the Authority.

SECTION 3.07. Validity of Bonds.

The validity of the authorization and issuance of the Bonds shall not be affected in any way by any

proceedings taken with respect to the application of the proceeds of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV
REVENUES; FLOW OF FUNDS

SECTION 4.01. Pledge of Revenues; Assignment of Rights.

Subject to the provisions of Section 6.03, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Revenues and a pledge of all of the moneys in the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Lease, including its rights to receive the Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease and any and all of the other rights of the Authority under the Lease as may be necessary to enforce payment of such Base Rental Payments when due or otherwise to protect the interest of the Owners of the Bonds, including its leasehold title to the 2020A Leased Facilities leased to the City pursuant to the 2020A Lease. The Trustee accepts such assignments. Subject to the provisions of this Indenture, the Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

The Authority covenants and agrees to take such action as is necessary from time to time to preserve the priority of the pledge set forth in this Section 4.01 under applicable law, and at the expense of the Authority or the City and the Trustee shall cooperate with the Authority and/or the City in taking such action.

This Indenture shall be supplemented pursuant to a Supplemental Indenture to pledge revenues from additional base rental payments under the Lease for any Series of Additional Bonds.

SECTION 4.02. Lease Revenue Fund; Receipt, Deposit and Application of Revenues.

All Revenues shall be deposited by the Trustee in a special fund designated as the "Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust hereunder. If the City pays more than 100% of the Base Rental Payments coming due 15 days prior to any Interest Payment Date, the Trustee shall deposit into the Lease Revenue Fund only that portion of the Base Rental Payments which the City is required to make under Section 3(a) of the Lease for the next Interest Payment Date, and shall remit any excess to the City.

On or before each Interest Payment Date, or Principal Payment Date, as applicable, the Trustee shall transfer from the Lease Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any

such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) **Interest Accounts.** The Trustee shall establish and maintain separate accounts to be known as the “2020A Interest Account” and the “2020B Interest Account.” The Trustee shall likewise establish and maintain separate accounts for any Additional Bonds (the “Additional Bonds Interest Accounts”). The 2020A Interest Account, the 2020B Interest Account and any Additional Bonds Interest Accounts are herein collectively referred to as the “Interest Accounts.” On or before each Interest Payment Date, the Trustee shall deposit in each respective applicable Interest Account an amount required to cause the aggregate amount on deposit in the respective applicable Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all respective applicable Outstanding Bonds and Additional Bonds. No deposit need be made into the respective applicable Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon the respective applicable Outstanding Bonds and any Additional Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Interest Accounts shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and any Additional Bonds as it shall become due and payable (including accrued interest on any Bonds and any Additional Bonds redeemed prior to maturity).

(b) **Principal Accounts.** The Trustee shall establish and maintain separate accounts to be known as the “2020A Principal Account” and the “2020B Principal Account.” The Trustee shall likewise establish and maintain separate accounts for any Additional Bonds (the “Additional Bonds Principal Accounts”). The 2020A Principal Account, the 2020B Principal Account and any Additional Bonds Principal Accounts are herein collectively referred to as the “Principal Accounts.” On or before each Principal Payment Date, the Trustee shall deposit in each respective applicable Principal Account an amount required to cause the aggregate amount on deposit in such respective applicable Principal Account to equal the principal amount of the respective applicable Bonds and Additional Bonds maturing or required to be redeemed through mandatory sinking account redemption on such Principal Payment Date, pursuant to Section 2.02 or Section 2.03 or pursuant to a Supplemental Indenture, as applicable. All moneys in the Principal Accounts shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds and any Additional Bonds.

(c) **Reserved.**

(d) **Surplus.** On or before April 1 and October 1 of each year the Trustee shall determine the amount, if any, remaining in the Lease Revenue Fund after making the deposits required by paragraphs (a) and (b) above and the transfers of investment earnings pursuant to Section 4.03, and shall apply such amount as a credit against the next following Base Rental Payment. Notwithstanding the foregoing, if directed in a Request of the City, the Trustee shall, with respect to all or any portion of such amount, pay, or set aside an amount for the payment of, any Rebate Requirement (as defined in the Tax Certificate) in accordance with a computation made by the City to the Trustee.

SECTION 4.03. Rebate Fund.

(a) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the “Rebate Fund” (the “Rebate Fund”) in connection with the 2020A Bonds. Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the City or

Authority to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the City or Authority. Subject to the transfer provisions provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and none of the Authority, the Trustee or the Owner of any Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 4.03 and the Tax Certificate if it follows the Written Request of the City or Authority, including supplying all necessary information in the manner requested by the City or Authority, and except as otherwise expressly provided herein, shall not be required to take any actions hereunder in the absence of written directions by the City or Authority, and shall have no liability or responsibility to enforce compliance by the City or Authority with the terms of the Tax Certificate or this Section. The Trustee agrees to comply with all Written Requests of the City or Authority given pursuant to the Tax Certificate.

(1) Upon a Written Request of the City or Authority, an amount shall be deposited into the Rebate Fund by the Trustee from deposits by the City or Authority, if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the City or Authority in accordance with the Tax Certificate. The City or Authority shall provide the Trustee with a Written Certificate of the City or Authority evidencing that the computation of the Rebate Requirement has been made.

(2) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created hereunder or from other moneys provided to it by the City or Authority.

(3) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as directed by a Written Request of the City or Authority. Money, including investment earnings, shall not be transferred from the Rebate Fund except as provided in subparagraph (4) below.

(4) Upon receipt of a Written Request of the City or Authority, the Trustee shall remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the City or Authority so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or fund as directed by the Written Request of the City or Authority. Any funds remaining in the Rebate Fund in excess of the Rebate Requirement as of the end of any Bond Year shall be transferred to the 2020A Interest Account.

Notwithstanding any other provision hereof, including, in particular, Section 9.03, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the 2020A Bonds.

SECTION 4.04. Investments.

All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Authority given to the Trustee two Business Days in advance of the making of such investments. In the

absence of any such direction from the Authority, the Trustee shall hold funds uninvested. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

On April 15 and October 15 of each year the Trustee shall transfer all investment earnings on amounts in the Principal Account and the Interest Account, to the Lease Revenue Fund. All investment earnings on amounts in the Insurance and Condemnation Fund shall be retained therein. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee may act as manager, sponsor, advisor or depository with respect to any Permitted Investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions to be effected by the Trustee hereunder as they occur. The Authority specifically waives the right to receive such notification to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Trustee hereunder; provided, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority.

SECTION 4.05. Valuation and Disposition of Investment.

For the purpose of determining the amount in any fund or account, Permitted Investments credited to such fund or account shall be valued at least semiannually on or before each Interest Payment Date at cost (excluding any brokerage commissions and excluding any accrued interest) by the Authority.

SECTION 4.06. Redemption Fund.

The Trustee shall establish and maintain, as necessary, a special fund designated the “Redemption Fund.” Within the Redemption Fund the Trustee shall establish and maintain separate accounts to be known as the “2020A Redemption Account” and the “2020B Redemption Account.” The 2020A Redemption Account and the 2020B Redemption Account are herein collectively referred to as the “Redemption Accounts.” The Trustee shall deposit in the Redemption Fund any Net Proceeds received from the City in connection with the City’s exercise of its right to cause Bonds to be redeemed pursuant to Section 2.03(a) hereof. Additionally, the Trustee shall deposit in the respective applicable Redemption Accounts the respective applicable amounts received from the City in connection with the City’s exercise of its right to cause Bonds to be redeemed pursuant to Section 2.03(b)(i) and/or 2.03(b)(ii) hereof, as applicable. Amounts in the Redemption Accounts shall be disbursed therefrom by the Trustee for the payment of the redemption price of, and accrued interest on, Bonds redeemed pursuant to 2.03(c)(i) and/or 2.03(c)(ii) hereof, as applicable.

ARTICLE V

COVENANTS OF THE AUTHORITY

SECTION 5.01. Punctual Payment.

The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture,

according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

SECTION 5.02. Extension of Payment of Bonds.

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds or Additional Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

SECTION 5.03. Against Encumbrances.

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds and Additional Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

SECTION 5.04. Power to Issue Bonds and Make Pledge and Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the Lease and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of Section 6.02 hereof) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 5.05. Accounting Records and Financial Statements.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City during regular business hours with reasonable prior notice.

SECTION 5.06. Additional Obligations.

The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part, other than Additional Bonds.

SECTION 5.07. Lease.

The Trustee, as assignee of the Authority's rights under each Lease pursuant to Section 4.01 hereof and under each Assignment Agreement, shall receive all amounts due from the City pursuant to the Lease.

The Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease required to be complied with, kept, observed and performed by it and, together with the Trustee, will enforce the Lease against the City in accordance with its terms.

So long as any Bonds or Additional Bonds remain Outstanding, the Authority will not alter, amend or modify the Lease, except pursuant to Section 23 thereof.

SECTION 5.08. Tax Covenants.

(a) *Special Definitions.* When used in this Section, the following terms have the following meanings with respect to any 2020A Bonds or Additional Bonds (that are intended to be Tax-Exempt) that the Authority intends interest thereon to be excludable from the gross income of the Owners thereof:

“Computation Date” has the meaning set forth in section 1.148-(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations, and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the 2020A Bonds.

“Investment” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of 2020A Bonds are invested and which is not acquired to carry out the governmental purposes of such 2020A Bonds.

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Yield” of

1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

2) the 2020A Bonds has the meaning set forth in section 1.143-4 of the Tax Regulations.

(b) *Not to Cause Interest to Become Taxable.* The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the 2020A Bonds to become includable in the gross income as defined in the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion from gross income

for federal income tax purposes of the interest on any 2020A Bond, the Authority shall comply with each of the specific covenants in this Section.

(c) *Not Private Use or Private Payments.* Except as would not cause any 2020A Bonds to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall at all times prior to the last slated maturity of 2020A Bonds:

1) require that one or more state or local governmental agencies exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the 2020A Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any Authority, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public;

2) and not permit the direct or indirect imposition of any charge or other payment on or by any person or entity who is treated as using Gross Proceeds of the 2020A Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) *No Private Loan.* Except as would not cause any 2020A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not use or permit the use of Gross Proceeds of the 2020A Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) *Not to Invest at Higher Yield.* Except as would not cause the 2020A Bonds to become “arbitrage bonds” within the meaning of the Code and the Tax Regulations and rulings thereunder, the Authority shall not at any time prior to the final Stated Maturity of the 2020A Bonds directly or indirectly invest or permit the Investment of Gross Proceeds in any Investment, if as a result of such investment the Yield on Investments acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the 2020A Bonds. For purposes of this paragraph, Yield on Investments shall be determined in accordance with the provisions of section 1.148-5 of the Tax Regulation, which, under certain circumstances, requires Yield to be determined on less than all such Investments.

(f) *Not Federally Guaranteed.* Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take, or permit, any action that would cause any 2020A Bonds to be treated as “federally guaranteed” within the meaning of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The Authority shall timely file or cause to be filed any information required by section 149(e) of the Code with respect to the 2020A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The Authority shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding 2020A Bond is retired. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of 2020A Bonds with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Authority shall cause the City to calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder, and to provide promptly to the Authority a copy of said calculation, which the Authority shall maintain with its official transcript of proceedings relating to the issuance of the 2020A Bonds until six years after the final Computation Date.

(3) In order to assure the excludability of the interest on 2020A Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority shall make rebate payments at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, which payments shall be accompanied by Form 8038-T prepared by the Authority or such other forms and information as is or may be required by Section 148(f) of the Code and the Tax Regulations and rulings thereunder; provided, however, that the liability of the Authority to make any such payments shall be limited to amounts received by it for such purpose pursuant to the Lease.

(4) The Authority shall cause the exercise of reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) of the Tax Regulations.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations and shall have no independent duty to review any rebate calculations or enforce the compliance with such rebate requirements or the covenants of the Authority provided herein.

(i) Not to divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not enter into any transaction that reduces the amount required to be paid to the United States pursuant to section 148(f) of the Code because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and the Yield of the 2020A Bonds had been irrelevant to each party.

SECTION 5.09. Further Assurances.

The Authority will adopt, 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 Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

**ARTICLE VI
THE TRUSTEE**

SECTION 6.01. Appointment of Trustee.

The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority 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 Indenture. The Authority agrees that it will maintain a Trustee which has (or which is a wholly-owned subsidiary of a corporation which has) a combined capital and surplus of at least \$75,000,000, and which is subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank, national banking association or trust company or such parent corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining Authority above referred to, then for the purpose of this Section 6.01 the combined capital and surplus of such bank, national banking association or trust company or such parent corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged.

SECTION 6.02. Acceptance of Trusts.

The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

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

(b) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners pursuant to this Indenture, unless such

Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or Investigation into such facts or matters as it may see fit.

(e) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no covenants of or against the Trustee shall be implied in this Indenture. In case an Event of Default hereunder or under the Lease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture and by the Lease, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(f) The Trustee may execute any of the trusts, or powers hereunder and perform the duties required of it here under either directly or by or through attorneys, receivers or agents, shall not be liable for the acts or omissions of such attorneys, receivers or agents appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it hereunder.

(g) The Trustee shall not be responsible for any recital herein, in the Lease, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and makes no representation as to the validity or sufficiency of the Bonds, this Indenture or the Lease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder or on the part of the Authority or the City under the Lease, The Trustee shall not be responsible for the application by the Authority or the City of the proceeds of the Bonds.

(h) The Trustee may become the Owner or pledgee of Bonds secured hereby with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority 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 Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture or the Lease 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 Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be

reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in this Indenture or in the Lease shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder or under the Lease except failure by the Authority or the City to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or thereto or failure by the Authority or the City to file with the Trustee any document required by this Indenture or the Lease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not the duty) to fully inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be 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 hereof.

(n) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) 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.

(p) Whether or not expressly provided therein, every provision of this Indenture and the Lease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this Section.

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

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

(s) The Trustee shall have the right to accept and act upon instructions, including funds transfer

instructions (“Instructions”) given pursuant to this Indenture 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 Authority and City 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 Authority and City whenever a person is to be added or deleted from the listing. If the Authority and City elect 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 Authority and City understand 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 Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and City 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 Authority and City. 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 Authority and City agree: (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 Authority and City; (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 not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

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

SECTION 6.03. Fees, Charges and Expenses of Trustee.

The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances (with interest on such advances at the maximum rate allowed by law), counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, and the Authority shall pay or cause the City to pay the Trustee all such amounts. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it. 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 6.04. Notice to Bond Owners of Default.

If an Event of Default hereunder or under the Lease occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(k) hereof, then the Trustee shall, within 30 days of the receipt of such notice, give written notice thereof by first class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; *provided, however*, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interest of the Bond Owners not to give such notice.

SECTION 6.05. Intervention by Trustee.

In any judicial proceeding to which the Authority or the City is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02(c), shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of such Bonds then Outstanding.

SECTION 6.06. Removal of Trustee.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee at any time upon 30 days' notice, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth herein.

SECTION 6.07. Resignation by Trustee.

The Trustee and any successor Trustee may at any time give written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the City by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

SECTION 6.08. Appointment of Successor Trustee.

In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within 60 days following the delivery to the Trustee of the instrument described in Section 6.06 or within 60 days following the receipt of notice by the Authority pursuant to Section 6.07, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any

action by the Authority purporting to appoint a successor Trustee following the expiration of such 60-day period.

SECTION 6.09. Merger or Consolidation.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, 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 6.10. Concerning any Successor Trustee.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority 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 Request of the Authority, or of the Trustee's 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 Authority 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 Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

SECTION 6.11. Appointment of Co-Trustee.

It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction in may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action that may be desirable or necessary in connection therewith, it may be necessary that the Trustee or the Authority appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adapted to these ends.

If the Trustee or the Authority appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee

so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, shall resign or shall be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 6.12. Indemnification; Limited Liability of Trustee.

The Authority further covenants and agrees, to the extent permitted by law, to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense (including legal fees and expenses) and liabilities arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities that are due to the negligent act or negligent omission of the Trustee, its officers, directors or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it shall have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least 25% in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture or exercising any power conferred upon the Trustee under this Indenture. The obligations of the Authority under this Section and Section 6.03 shall survive the resignation or removal of the Trustee under this Indenture and final payment or defeasance of the Bonds.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment.

This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owner, to the extent permitted by law but only for any one or more of the following purposes:

- (a) to issue Additional Bonds in accordance with Section 3.06 hereof;
- (b) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds;
- (c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the reasonable

judgment of the Authority;

(d) to maintain the exclusion of interest on the 2020A Bonds, or any Additional Bonds that are intended to be Tax-Exempt, from gross income for federal income tax purposes under the Code, if applicable; or

(e) for any other purpose that does not materially adversely affect the interests of the Owners.

Except as set forth in the preceding paragraph of this Section, this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) modify any of the rights or obligations of the Trustee without its written consent thereto.

SECTION 7.02. Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, 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 Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Prior to entering into any Supplemental Indenture pursuant to this Section, the Trustee shall be furnished by the Authority an opinion of nationally recognized bond counsel to the effect that such Supplemental Indenture has been adopted in accordance with the requirements of this Indenture.

SECTION 7.03. Endorsement or Replacement of Bonds After Amendment.

After the effective date of any action taken as herein above provided, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. Events of Default.

The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of or premium on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds; *provided, however*, that if such default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected, which period shall not be longer than sixty (60) days from the date of written notice specifying the failure.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) Default under Section 11 of the applicable Lease and such default shall not have been remedied within any applicable grace period thereunder.

SECTION 8.02. Remedies; No Acceleration.

Upon the occurrence of an Event of Default the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, in order to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him contained herein or in the Lease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of on Event of Default to require the Authority and its

members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 6.02(c), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Trustee shall have no right to declare the principal of or interest on the Bonds to be due and payable immediately.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of 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 8.03. Application of Revenues and Other Funds After Default.

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel;

Second, to the payment of all amounts then due for interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable; and

Third, to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable.

SECTION 8.04. Power of Trustee to Control Proceedings.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or

upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, 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 the Owners of a majority in aggregate principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in Section 6.02(c). Any suit, action or proceeding which any Owner of Bonds shall have the right to bring or enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.05. Appointment of Receivers.

Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.06. Non-Waiver.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

SECTION 8.07. Rights of Bond Owners.

No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have 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 Bonds of any remedy hereunder it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.08. Termination of Proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX MISCELLANEOUS

SECTION 9.01. Limited Liability of Authority.

Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or otherwise from amounts payable under the Lease), The Authority may, however advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premiums (if any) on or principal of the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in this Indenture.

The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority except the Revenues and other funds pledged to the payment of the Bonds as provided in this Indenture. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof,

shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds (other than amounts on deposit in the Rebate Fund) pledged to the payment thereof as provided in this Indenture.

SECTION 9.02. Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the City and the Owners of the Bonds.

SECTION 9.03. Defeasance; Discharge of Indenture.

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Certified Public Accountant shall determine in a written report filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and delivering an opinion of Bond Counsel acceptable in form and substance, and addressed, to the Authority and the Trustee to the effect that the Bonds are no longer Outstanding under the Indenture, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to Section 2.03(d) or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to this Section, which are not required for said purposes, shall after payment of amounts due the Trustee hereunder be paid over to the Authority for any lawful purpose.

SECTION 9.04. Successor Is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

SECTION 9.05. Content of Certificates and Opinions.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture except the certificate of destruction pursuant to Section 9.10 shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or conditions and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 9.06. Execution of Documents by Bond Owners.

Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by their agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or

the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 9.07. Disqualified Bonds.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the City or the Authority (but excluding Bonds 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 Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the City and the Authority shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 9.08. Waiver of Personal Liability.

No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer agent or employee from the performance of any official duty provided by law.

SECTION 9.09. Partial Invalidity.

If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law.

SECTION 9.10. Destruction of Canceled Bonds.

Whenever in this Indenture provision is made for the surrender of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall cancel and destroy such Bonds and upon Request of the Authority furnish to the Authority a certificate of such destruction.

SECTION 9.11. Funds and Accounts.

Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in

each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.12. Payment on Business Days.

Whenever in this Indenture any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made, without accruing additional interest thereby, on the Business Day immediately following such day.

SECTION 9.13. Notices.

Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid, or sent by facsimile transmission, addressed as follows:

If to the Authority: Ukiah Public Financing Authority
300 Seminary Avenue
Ukiah, CA 95482
Attention: Treasurer
Officer Fax: (707) 463-6204

If to the City: City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482
Attention: Finance Director
Fax: (707) 463-6204

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, CA 90071
Attention: Corporate Trust Department
Fax: (213) 630-6215

The City, Authority and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.14. Unclaimed Moneys.

Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds that remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided however, that before being required to make any such payment to the Authority, the Trustee shall, at the written request and expense of the Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that after a date named in said notice, which date shall not be

less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 9.15. Governing Law.

This Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 9.16. Findings of the Authority.

The Authority finds and determines that the issuance of the Bonds will result in significant public benefits to the citizens of the City of Ukiah, including but not limited to demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs.

SECTION 9.17. Execution in Counterparts.

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

[Signature page to follow on next page]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be signed by their respective officers, all as of the day and year first above written.

UKIAH PUBLIC FINANCING AUTHORITY

By _____
Daniel Buffalo, Finance Director

Attest:

By _____
Kristine Lawler, Secretary

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

By _____
Authorized Officer

EXHIBIT A-1

[FORM OF SERIES 2020A BOND]

NO. R-

\$

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2020A
(Ukiah Community Facilities Acquisition and Improvement Project)

<u>INTEREST RATE:</u>	<u>MATURITY DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP:</u>
%	October 1, 20	October __, 2020	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The UKIAH PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of Revenues, as defined in the Indenture hereinafter referred to, and certain other moneys) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above or any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to March 15, 2021, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on April 1 and October 1 in each year, commencing October 1, 2021 (each an "Interest Payment Date") until payment of such Principal Amount in full. The Principal Amount hereof is payable by check upon presentation hereof upon maturity or earlier redemption at the principal corporate trust office (the "Trust Office") of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in Los Angeles, California, or at such other office as the Trustee may designate. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the registration books of the Trustee as of the first calendar day of the month of such Interest Payment Date (except that in the case of a Registered Owner of at least \$1,000,000 in aggregate principal amount, such payment may, at such Registered Owner's option, be made by wire transfer of immediately available funds in accordance with written instructions provided by such Registered Owner prior to the fifteenth calendar day of the month preceding such Interest Payment Date).

This Bond is one of a duly authorized issue of bonds of the Authority designated the “Ukiah Public Financing Authority, Lease Revenue Bonds, Series 2020A (Ukiah Community Facilities Acquisition and Improvement Project)” (herein, the “Bonds”), in an aggregate principal amount to \$_____ issued under an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder, and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title I of the Government Code of the State of California (the “Act”). The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the principal of and interest on the Bonds. Additional bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the terms and conditions set forth in the Indenture. The full faith and credit of the Authority are not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The Bonds have been issued for the purpose of financing certain public capital improvements of the City, and to pay the costs of issuance associated with the issuance and sale of the Bonds.

The Authority has entered into a 2020A Lease Agreement (as defined in the Indenture) and a 2020B Lease Agreement (as defined in the Indenture) each with the City, under which the City is obligated to pay amounts which are anticipated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds.

The Bonds are subject to redemption prior to their maturity as provided in the Indenture.

The Bonds are subject to redemption prior to their respective maturity dates, upon notice as hereinafter provided, as a whole on any date, from prepayments of 2020A Base Rental Payments (as defined in the Indenture) made by the City pursuant to the 2020A Lease from funds received by the City due to a taking of the 2020A Leased Facilities (as defined in the Indenture) or any portion thereof under the power of eminent domain or due to damage to or destruction of the Leased Facilities or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the 2020A Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to their stated maturities. The Bonds maturing on or after October 1, 20__, are subject to redemption prior to their stated maturities, on any Business Day on or after October 1, 20__, as a whole or in part by such maturities as may be designated by the Authority to the Trustee at least forty-five (45) days prior to the redemption date,

and by lot within any one maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

The Term Bonds maturing October 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments in each year as set forth in the following schedule, commencing October 1, 20__, and on October 1 in each year thereafter to and including October 1, 20__ at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

**Redemption Date
(October 1)**

**Principal Amount
To be Redeemed**

* Maturity

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the registration books maintained by the Trustee, to the Securities Depositories and to one or more Information Services (as such terms are defined in the Indenture), at least 30 but not more than 60 days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the serial numbers of each maturity or maturities (except that if the event of redemption is of all of the Bonds of such maturity or maturities in whole, the Trustee shall designate such maturities or the maturity in whole without referencing each individual number) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Any notice given pursuant to the preceding paragraph may be conditional and/or rescinded by written notice given to the Trustee by the City or the Authority, and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given.

The Bonds may be issued in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this Bond may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount, interest rate and maturity of fully registered Bonds of other authorized denominations.

This Bond 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 provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond selected for redemption.

The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act and the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Ukiah Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Treasurer, and attested by the manual or facsimile signature of its Secretary, all as of the Dated Date set forth above.

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Treasurer

Attest:

By: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the Bond Registration Books.

Authentication Date:

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

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Name, Address and Tax Identification or Social Security Number of Assignee) the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the bond register of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

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

NOTICE: Signature(s) must be guaranteed by a member of an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or other similar program.

EXHIBIT B-2**[FORM OF SERIES 2020B BOND]****NO. R-****\$****UNITED STATES OF AMERICA
STATE OF CALIFORNIA****UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2020B
(CalPERS Prepayment Project)****INTEREST RATE:****%****MATURITY DATE:****October 1, 20****DATED DATE:****October __, 2020****CUSIP:****REGISTERED OWNER: CEDE & CO.****PRINCIPAL AMOUNT:**

The UKIAH PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of Revenues, as defined in the Indenture hereinafter referred to, and certain other moneys) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above or any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to March 15, 2021, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on April 1 and October 1 in each year, commencing October 1, 2021 (each an "Interest Payment Date") until payment of such Principal Amount in full. The Principal Amount hereof is payable by check upon presentation hereof upon maturity or earlier redemption at the principal corporate trust office (the "Trust Office") of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in Los Angeles, California, or at such other office as the Trustee may designate. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the registration books of the Trustee as of the first calendar day of the month of such Interest Payment Date (except that in the case of a Registered Owner of at least \$1,000,000 in aggregate principal amount, such payment may, at such Registered Owner's option, be made by wire transfer of immediately available funds in accordance with written instructions provided by such Registered Owner prior to the fifteenth calendar day of the month preceding such Interest Payment Date).

This Bond is one of a duly authorized issue of bonds of the Authority designated the “Ukiah Public Financing Authority, Taxable Lease Revenue Bonds, Series 2020B (CalPERS Prepayment Project)” (herein, the “Bonds”), in an aggregate principal amount to \$ _____ issued under an Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder, and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title I of the Government Code of the State of California (the “Act”). The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the principal of and interest on the Bonds. Additional bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the terms and conditions set forth in the Indenture. The full faith and credit of the Authority are not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The Bonds have been issued for the purpose of financing the prepayment by the City to CalPERS of part or all of its CalPERS Obligation (as defined in the Indenture), and to pay the costs of issuance associated with the issuance and sale of the Bonds.

The Authority has entered into a Lease Agreement dated as of October 1, 2020 (the “Lease”) with the City, under which the City is obligated to pay amounts which are anticipated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds.

The Bonds are subject to redemption prior to their respective maturity dates, upon notice as hereinafter provided, as a whole on any date, from prepaid Base Rental Payments made by the City from funds received by the City due to a taking of the Leased Facilities (as defined in the Indenture) or any portion thereof under the power of eminent domain or due to damage to or destruction of the Leased Facilities or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are subject to redemption prior to their maturity as provided in the Indenture.

The Bonds are subject to redemption prior to their respective maturity dates, upon notice as hereinafter provided, as a whole on any date, from prepayments of 2020B Base Rental Payments (as defined in the Indenture) made by the City pursuant to the 2020B Lease from funds received by the City due to a taking of the 2020B Leased Facilities (as defined in the Indenture) or any portion thereof under the power of eminent domain or due to damage to or destruction of the Leased Facilities or any portion thereof, under the

circumstances and upon the conditions and terms prescribed in the Indenture and in the 2020B Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to their stated maturities. The Bonds maturing on or after October 1, 20__, are subject to redemption prior to their stated maturities, on any Business Day on or after October 1, 20__, as a whole or in part by such maturities as may be designated by the Authority to the Trustee at least forty-five (45) days prior to the redemption date, and by lot within any one maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

The Term Bonds maturing October 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments in each year as set forth in the following schedule, commencing October 1, 20__, and on October 1 in each year thereafter to and including October 1, 20__ at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

Redemption Date
(October 1)

Principal Amount
To be Redeemed

* Maturity

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the registration books maintained by the Trustee, to the Securities Depositories and to one or more Information Services (as such terms are defined in the Indenture), at least 30 but not more than 60 days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the serial numbers of each maturity or maturities (except that if the event of redemption is of all of the Bonds of such maturity or maturities in whole, the Trustee shall designate such maturities or the maturity in whole without referencing each individual number) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Any notice given pursuant to the preceding paragraph may be conditional and/or rescinded by written notice given to the Trustee by the City or the Authority, and the Trustee shall provide notice of such rescission

as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given.

The Bonds may be issued in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this Bond may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount, interest rate and maturity of fully registered Bonds of other authorized denominations.

This Bond 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 provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange hereof. The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond selected for redemption.

The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act and the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Ukiah Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Treasurer, and attested by the manual or facsimile signature of its Secretary, all as of the Dated Date set forth above.

UKIAH PUBLIC FINANCING AUTHORITY

By: _____
Treasurer

Attest:

By: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the Bond Registration Books.

Authentication Date:

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

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Name, Address and Tax Identification or Social Security Number of Assignee) the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the bond register of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

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

NOTICE: Signature(s) must be guaranteed by a member of an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or other similar program.

EXHIBIT B

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)

\$ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)

FORM OF COSTS OF ISSUANCE REQUISITION

The undersigned, as [City Manager] [Finance Director] of the City of Ukiah (the “City”), in connection with the \$ _____ aggregate principal amount of the Ukiah Public Financing Authority, Lease Revenue Bonds [Series 2020A][Series 2020B] (the “Bonds”), issued in accordance with the Indenture, dated as of October 1, 2020 (the “Indenture”), between the Ukiah Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as the trustee named therein (the “Trustee”), does hereby certify on behalf of the City that:

(i) the undersigned is a duly authorized City Representative (as defined in the Indenture) with authority to act on behalf of the City and the Authority as necessary to disburse money from the 2020[(a)][(b)] Costs of Issuance Fund provided for in Section 3.03[(a)][(b)] of the Indenture (the “Costs of Issuance Fund”);

(ii) an obligation in the not-to-exceed amount stated for each of the payees set forth on Exhibit “A” has been properly incurred under and pursuant to the Indenture and each such obligation is a proper charge against the Costs of Issuance Fund;

(iii) that pursuant to the Indenture, the undersigned, on behalf of the City and the Authority, hereby requests the Trustee to disburse from the Costs of Issuance Fund to the payees set forth on Exhibit A attached hereto, upon receipt of an invoice, an amount not to exceed the sum set forth opposite each such payee, for the purpose identified therein;

(iv) there has not been filed with or served upon the City or Authority a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the payees set forth on Exhibit “A,” which claim, lien, right to lien or attachment has not been released or will not be released with the payment of such obligation; and

(v) all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in Exhibit A attached hereto or in invoices submitted in accordance herewith, and the Trustee may rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

Dated: _____, 2020

CITY OF UKIAH, CALIFORNIA

By: _____

EXHIBIT C

FORM OF NET PROCEEDS REQUISITION

REQUISITION NO. __

with reference to

**§ _____
UKIAH PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2020A
(Ukiah Community Facilities Acquisition and
Improvement Project)**

**§ _____
UKIAH PUBLIC FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS
SERIES 2020B
(CalPERS Prepayment Project)**

I. The City of Ukiah (the “City”) hereby requests The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), pursuant to that certain Indenture, dated as of October 1, 2020 (the “Indenture”), by and between the Ukiah Public Financing Authority (the “Authority”) and the Trustee, under the terms of which the Authority has issued the above-captioned Bonds, to pay from the moneys in the Insurance and Condemnation Fund established pursuant to the Indenture, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Insurance and Condemnation Fund. None of the items for which payment is requested has been reimbursed previously from the Insurance and Condemnation Fund.

IV. There has not been filed with or served upon the City or the Authority a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person[s] named on Schedule I hereto which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

Dated: _____, 20__

CITY OF UKIAH, CALIFORNIA

By: _____

NHA 2019-20 PENSION SUMMARY REPORT



TRANSLATING 8-YEARS OF CALPERS ACTUARIAL REPORTS FOR **CITY OF UKIAH**

INCLUDING PLAN OVERVIEW, HISTORICAL STATISTICS, COST PROJECTIONS AND ALTERNATIVE REPAYMENT AND COST MANAGEMENT STRATEGIES

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OBJECTIVE

As a financial consultant and municipal advisor to cities and other local government agencies throughout the State of California, NHA Advisors, LLC (“NHA”) works with many agencies to distill and translate the complex nature of the CalPERS (“PERS”) annual actuarial reports. NHA’s financial expertise provides a more comprehensive historical trend analysis, simplified education materials (for elected officials, City staff and community stakeholders) and alternative repayment and cost management strategies. The NHA Pension Summary Report is meant to provide an executive summary of key PERS pension information in order to assist the City of Ukiah (“City”) with cash flow budgeting, future fiscal sustainability planning, and general education. Pension liabilities should be considered collectively with other long-term general fund obligations. NHA believes taking a comprehensive view of the entire general fund liabilities provides a better picture of future financial commitments.

EXECUTIVE SUMMARY

Rising pension costs are the most pressing financial issue facing California public agencies. The City’s annual pension costs are expected to rise from \$3.7 million (29% of payroll) in FYE 2014 to an estimated \$6.3 million (45% of payroll) by FYE 2021. These costs represent about 19% of the City’s overall General Fund budget. Increasing pension costs reduce the ability for the City to fund other operations, capital projects and grow reserves.

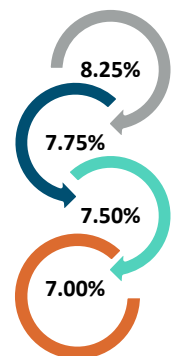
Amortization of the City’s Unfunded Accrued Liability (UAL) is the most rapidly growing component of costs given that the UAL has increased 120% (from \$25.0 million to \$55.0 million) since FYE 2013. Combined with the City’s other General Fund backed bond debt (\$5 million in capital leases), overall payments are expected to grow from approximately \$4.6 million to \$5.4 million over FYE 2020-2024, peak at over \$6.1 million FYE 2032, and gradually decrease thereafter.

Additionally, there are various tools cities can use to address the fiscal challenge created by rising pension costs to provide greater financial and retirement security (see Alternative Repayment and Cost Management Strategies on Pages 7 through 9). NHA encourages PERS members to approach all impacted stakeholders in a collaborative manner to ensure long-term sustainability of the system. We hope that this document can help educate all stakeholders in an effective and transparent way.

WHY ARE PENSION COSTS INCREASING SO RAPIDLY?

Several factors are resulting in increased employer and in some case employee contributions:

- **The “Great Recession”:** A primary reason for pension cost increases was the economic downturn in 2008 when PERS suffered a 27% negative return with a gross impact of a 34.75% loss to the fund. More detail can be found on Page 3 related to historical investment performance.
- **Lowering of Discount Rate:** When PERS lowers its investment return target, also known as the “discount rate,” member agencies must increase contributions to make up the difference. PERS dropped the discount rate from 8.25% to 7.75% in 2003, down to 7.50% in 2014 and then to 7.00% in 2016. This last adjustment was phased in over a 3-year period, with the last phase being incorporated into the latest actuarial valuation report. With a 5-year payment ramp up for every UAL increase, the full impact of the reduction will be realized in 2025.
- **Enhanced Pension Benefits:** These benefit enhancements authorized by state law in 2000 for public safety employees and 2001 for all other public employees also included a retroactivity credit for years of service.
- **Mortality Rates:** People are living and drawing pensions longer, leading PERS to adjust assumptions for longer lifespans.



- **Lower Active vs. Retired Ratios:** There are fewer active employees for each retiree. In 2001, there were two active workers for each retiree. By 2016, that dropped to 1.3 and PERS projects that in 10–20 years there will be just 0.6 active workers per retiree. Fewer people paying into the system means higher contribution rates from local agencies and their employees. Page 3 depicts active/retired ratios for the City of Ukiah.

“CALPERS 101” – GLOSSARY OF TERMS

- **Normal Cost (NC):** Annual cost for current employees.
- **Unfunded Accrued Liability (UAL):** Actuarial Liability *minus* Actuarial Value of Assets
 - “How much we currently have vs. how much we should have.”
 - UAL is amortized over 20 to 30 years.
- **Funded Ratio:** Percentage of assets available today to pay the pension benefits promised to employees.
- **Defined Benefit Plan:** A type of pension plan in which an employer/sponsor promises a specified monthly benefit upon retirement that is predetermined by a formula based on the employee’s earnings history, tenure of service and age. The City’s PERS plans are Defined Benefit Plans.
- **Actuarial Report:** An actuarial valuation is a type of appraisal that makes economic and demographic assumptions to estimate future liabilities. The assumptions are typically based on a mix of statistical studies and experienced judgment.
- **Discount Rate:** Also known as the expected rate of return or the assumed rate of return. It is the estimated long-term average return expected to be earned on investments.
- **PEPRA - Public Employees’ Pension Reform Act of 2013:** A pension reform bill that went into effect January 1, 2013. The bill impacts new public employees and establishes a limit on the amount of compensation that can be used to calculate a retirement benefit.

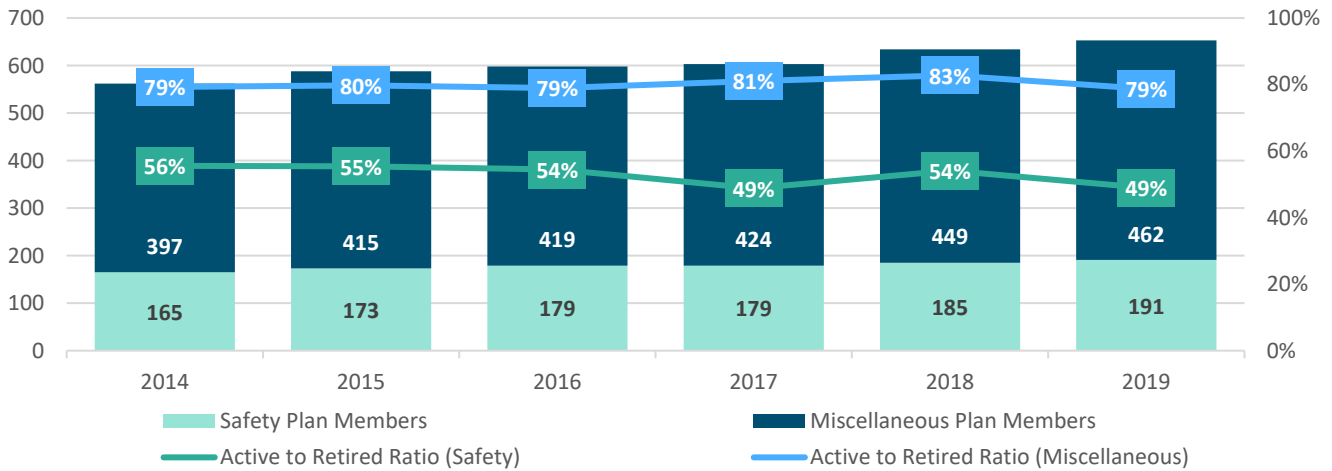
CITY OF UKIAH PENSION PLANS – OVERVIEW

The City currently has three primary plans with CalPERS: The Miscellaneous Plan, which covers all non-safety employees, the Safety Fire Plan, which covers all fire employees and the Safety Police Plan, which covers all police employees. As shown in the table below, there are 144 active employees covered by the Miscellaneous Plan and 45 active employees covered by the Safety Plan. About 37% of the active Miscellaneous Employees, and 29% of the active Safety Employees, are subject to the new PEPRA limitations, while the remaining active employees are covered under one of the classic (pre-PEPRA) plans. The breakdown of active employees by benefit group and benefit formula is shown below.

MISCELLANEOUS PLANS			SAFETY PLANS					
Benefit Group	# of Actives	Formula	Benefit Group	# of Actives	Formula	Benefit Group	# of Actives	Formula
Miscellaneous	91	2.7% @ 55	Safety Fire	51	3.0% @ 55	Safety Police	17	3.0% @ 50
PEPRA Misc.	53	2.0% @ 62	PEPRA Fire	1	2.7% @ 57	PEPRA Police	12	2.7% @ 57

In total, the number of employees covered under the City’s plans has grown 16%, from 562 to 653, over the last six years. About 71% of covered employees are covered by the Miscellaneous Plans, with the remaining 29% covered by the Safety Plans. While the overall level of members has increased, the ratio of active vs. retired employees over the past six years has remained stable for the Miscellaneous Plan, while declining slightly for the Safety Plan. Relative to prior years, this indicates that fewer people are paying into the plans versus those receiving benefits. Over this period, the ratio has remained fairly steady at 79% for the Miscellaneous Plan while having fallen from 56% to 49% for the Safety Plan, as shown in the chart below.

Member Statistics and Active to Retired Ratio

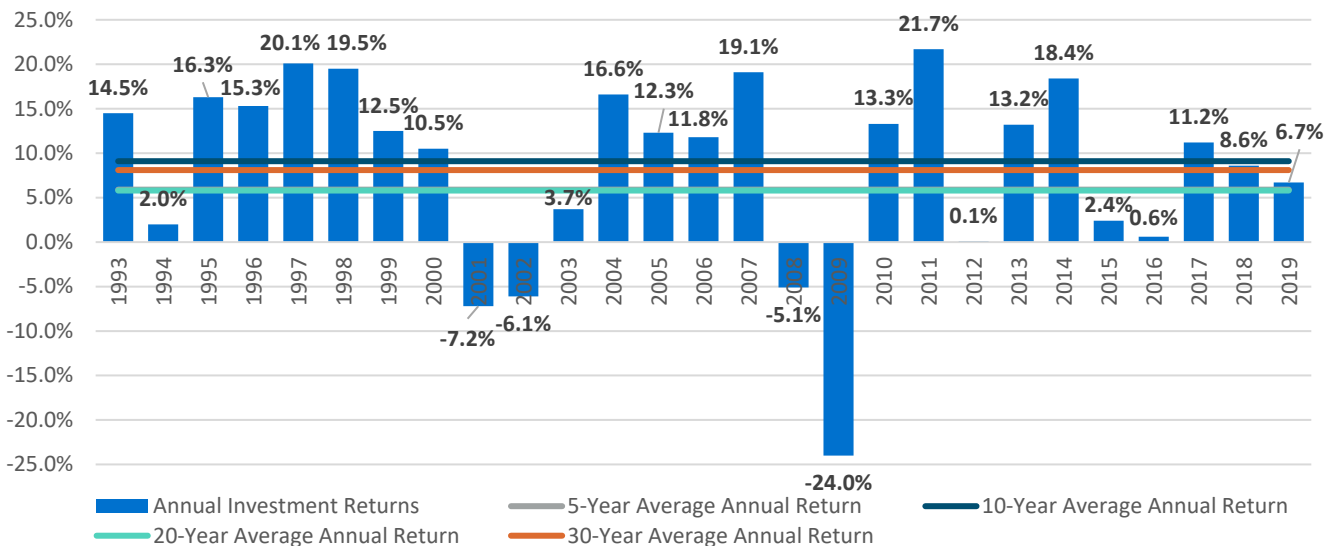


FYE 2019 INVESTMENT PERFORMANCE AND HISTORICAL RETURNS

In FYE 2019, PERS generated investment returns of 6.7%, marginally under its target discount rate of 7.0%. We note that the impacts of these returns on the City’s UAL balance will not be reflected in the recently released 2019 PERS valuation reports (6/30/2018 valuation). These returns will rather be reflected in the following year’s PERS reports.

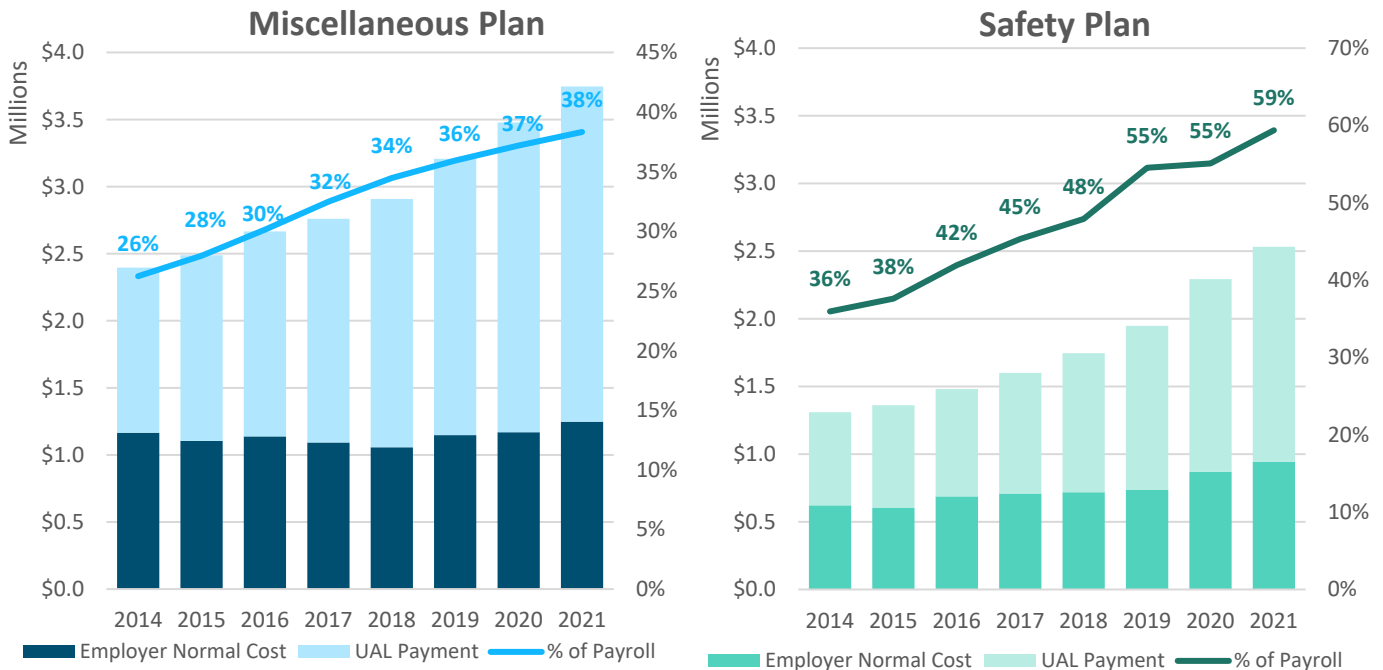
The slight setback in investment performance ended a streak of two consecutive years in which PERS outperformed its target rate by earning 8.6% in FYE 2018, following a strong 11.2% return in FYE 2017. The positive effects of the FYE 2018 returns been incorporated into the current valuation reports; however, these benefits have been more than outweighed by the final phase of the discount rate reduction to 7.0%.

The current 5-year average return for PERS is 5.9%, 9.1% for the 10-year average return, 5.8% for the 20-year average return, and 8.1% for the 30-year average return. Moving forward, annual investment performance will continue to be a key driver to future increases and decreases in the UAL. These changes will be incorporated annually, with increases from lower than expected investment returns (or conversely, decreases if there are strong investment returns) amortized over a 20-year period.



8-YEAR HISTORY OF NORMAL AND UAL COSTS AND % OF PAYROLL

The two charts below provide a breakdown of Normal and UAL costs for both of the City’s plans over the last eight (8) years, as well as the percentage of total payroll that those payments represent. We note that the Normal Cost component only includes the Employer share and does not include the Employee share, or any portion of the Employee share being picked up by the City. As shown, Miscellaneous Plan payments will have grown from \$2.4 million (26% of payroll) in FYE 2014 to an estimated \$3.7 million (38% of payroll) in FYE 2021. Similarly, Safety Plan payments will have grown from \$1.3 million (36% of payroll) to \$2.5 million (59% of payroll) over the same period.

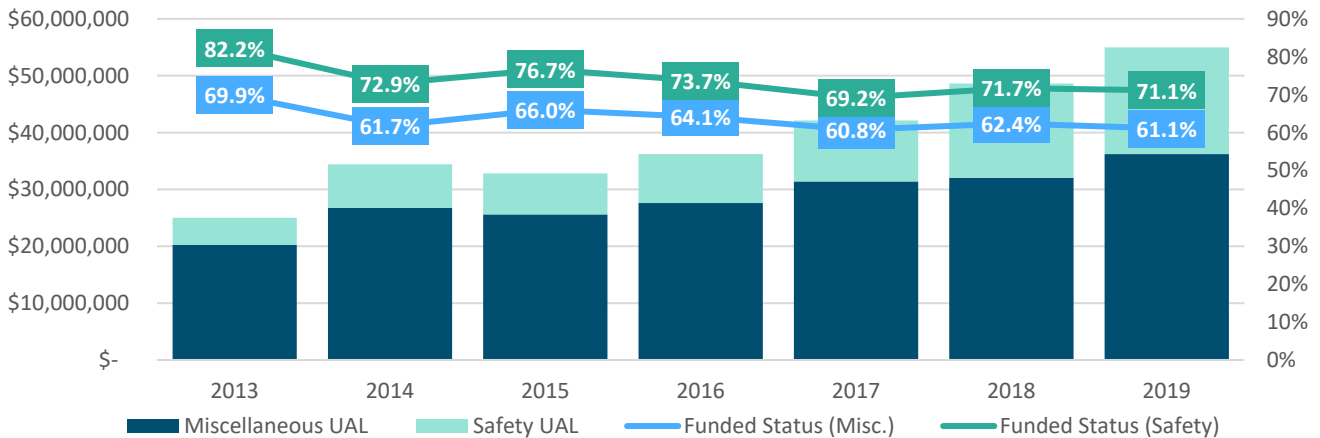


UAL HISTORY AND SENSITIVITY

The chart at the top of the next page depicts the City’s UAL and Funded Status for each plan annually from the June 30, 2012 through June 30, 2018 valuation dates. Overall, the City’s UAL has more than doubled during that time, increasing by \$30.0 million (from \$25.0 million to \$55.0 million). Total UAL is projected to increase to \$55.8 million as of 6/30/2020. Funded ratios for the plans have dropped from 69.9% to 61.1% for the Miscellaneous Plan from FYE 2013-2019 and from 82.2% to 71.1% for the Safety Plan from FYE 2013-2019. The key factors impacting the UAL fluctuations over this period include:

- **2013 → 2014:** Discount Rate lowered from 7.75% to 7.50%; PERS changed mortality assumptions (people living longer) and moved from an actuarial (AVA) to a market valuation of assets (MVA) which significantly increased the UAL
- **2014 → 2015:** Strong returns of 13.2% (2013) and 18.4% (2014) factor into a reduced UAL
- **2015 → 2016 → 2017:** Below average returns of 2.4% and 0.6%, combined with discount rate reduction from 7.50% to 7.00% (phased in over 3 years) factor into an increased UAL
- **2017 → 2018:** Above average returns of 11.2% factor into a reduced UAL
- **2018 → 2019:** Above average returns of 8.6% outweighed by final phase of planned discount rate reduction
- **2019 → 2020:** Slightly below average returns to be incorporated in next year’s CalPERS valuation report

UAL History and Funded Status



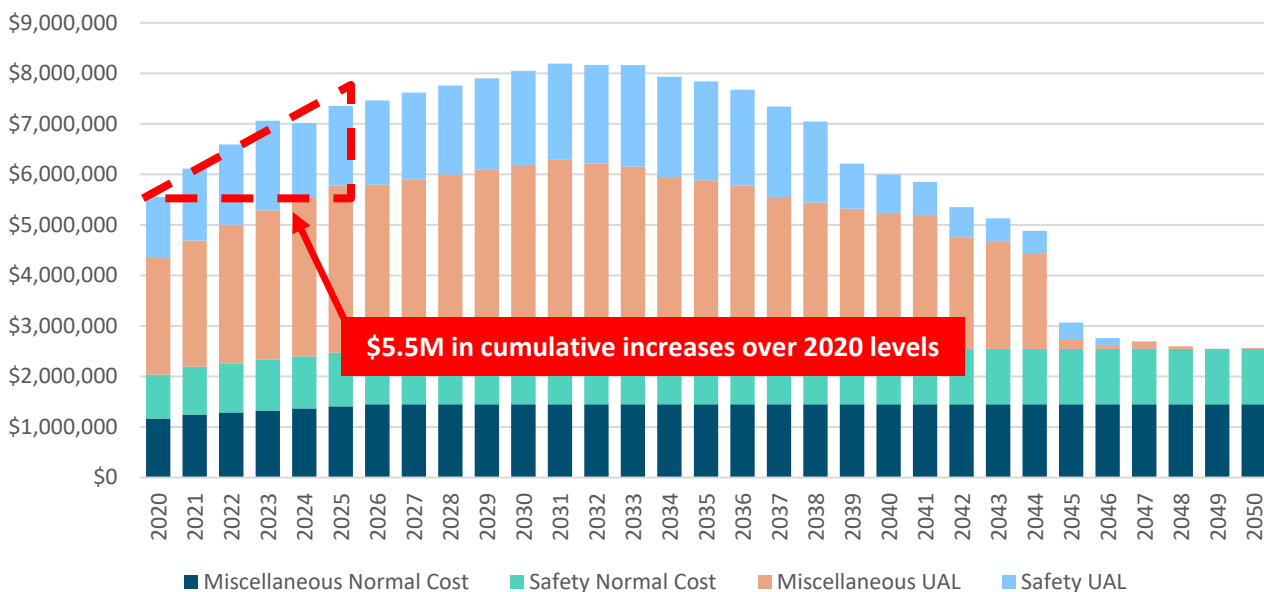
Sensitivity Analysis: The table on the right describes the sensitivity of the City’s UAL to hypothetical discount rate changes to 6% and 8%. The PERS reports indicate that the City’s UAL would increase by \$21.0 million (38.1%) from a discount rate reduction to 6% (or long term returns of 6%), and decrease by \$17.8 million (-32.3%) with a discount rate increase to 8% (or achieving long term returns of 8%).

UAL Sensitivity Analysis			
As of June 30, 2018	Total UAL	UAL Change (\$)	UAL Change (%)
6.0%	\$76,219,861	\$21,031,240	38.1%
7.0% (Current)	\$55,188,621	-	-
8.0%	\$37,384,057	(\$17,804,564)	-32.3%

30-YEAR COST PROJECTIONS

The chart below depicts cost projections for the next 30-years and is primarily based on the UAL and Normal Cost figures shown in the latest 2019 PERS actuarial report. For the Normal Cost, we have matched the growth assumption in the PERS report for the next 5-years (3% payroll growth), and have assumed no growth thereafter

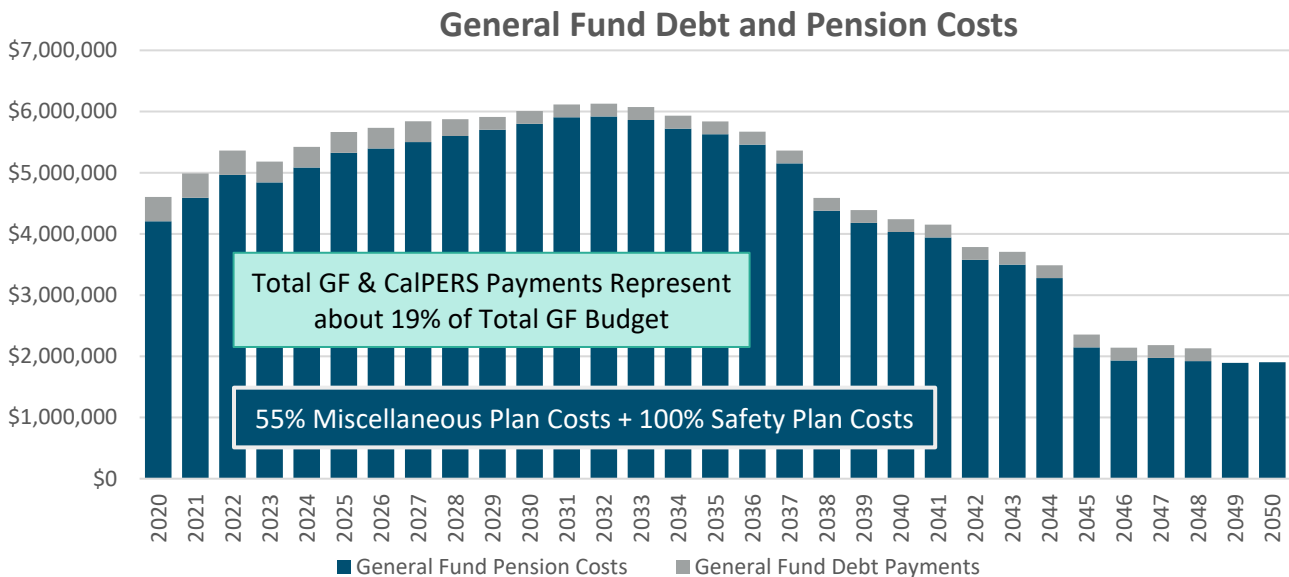
30-Year Projected CalPERS Costs - UAL & Normal Cost



given that these costs will be dependent on future employee turnover, which is difficult to predict (costs for classic employees will increase with payroll increases, but off-set by lower costs for new PEPRAs employees). **As shown, annual costs are rapidly increasing (from \$5.8 million in FYE 2020 to \$7.4 million in FYE 2025 to \$8.1 million in FYE 2030). As depicted in the red triangle below, on a cumulative basis, the City is projected to face \$5.5 million of increased PERS required payments above 2020 levels over the next 5 years.**

Why Is My Payment Schedule Increasing So Rapidly and Then Declining? – The City’s UAL is comprised of several components (called “bases”), each of which has a different time period for repayment. This schedule is shown in the “Schedule of Plan’s Amortization Bases” section of the 2019 PERS actuarial report. When viewed in totality, the majority of the bases and applicable UAL are being amortized over the next 25 years. Additionally, most of the recent increases are being amortized on a “step-up” schedule, meaning that the increases are phased in over the first five (5) years before plateauing at the full 100% required payment. This exacerbates the increasing repayment shape in the near term. Given that many amortization bases are paid off over the next 15 to 20 years, the City may see a drop off in payments starting around FYE 2032 (assuming no major changes to the UAL structure moving forward).

What Costs are Attributable to Only the General Fund and How Much of the Total Budget is That? – The chart below illustrates projected PERS costs that are attributable to the City’s General Fund. **Based on an approximate 45% allocation of Miscellaneous Plan costs to the City’s other enterprises, only the remaining 55% of this Plan’s costs are included in the chart below.** Since it is prudent to view these General Fund PERS costs in combination with the City’s other General Fund-backed debt service, the grey portion of the bar chart reflects estimated debt service attributable to the City’s leases. The slightly front-loaded nature of these lease payments, combined with rising PERS costs, will put pressure on the City’s budget over the next five years, with PERS and debt costs currently representing a combined 19% of the City’s overall General Fund budget.



ALTERNATIVE REPAYMENT AND COST MANAGEMENT STRATEGIES

While there is no “magic bullet” to solve the issue of rising pension costs, there are several strategies that municipalities have undertaken to better manage these costs and/or create alternative repayment schedules. The information presented on the next page provides a quick summary of each. Aside from these five (5) pension specific strategies outlined, the City can also evaluate other internal cost cutting/budgetary measures. NHA can provide a more precise analysis if the City is interested in learning more about any of the five strategies shown below and the cost/benefits of each.



Pre-Pay UAL at Start of Year

- 3.5% discount



Exit CalPERS

- Cost prohibitive



Request "Fresh-Start" Amortization

- New linear payment shape



Use Cash Reserves to Pay Extra

1. Direct Pay-Down of UAL with PERS
2. Section 115 Trust



BOND

Borrow Money to Pay Down Portion of UAL

1. Internal Loan
2. POB Issuance

A. Pre-Pay UAL at Beginning of Fiscal Year

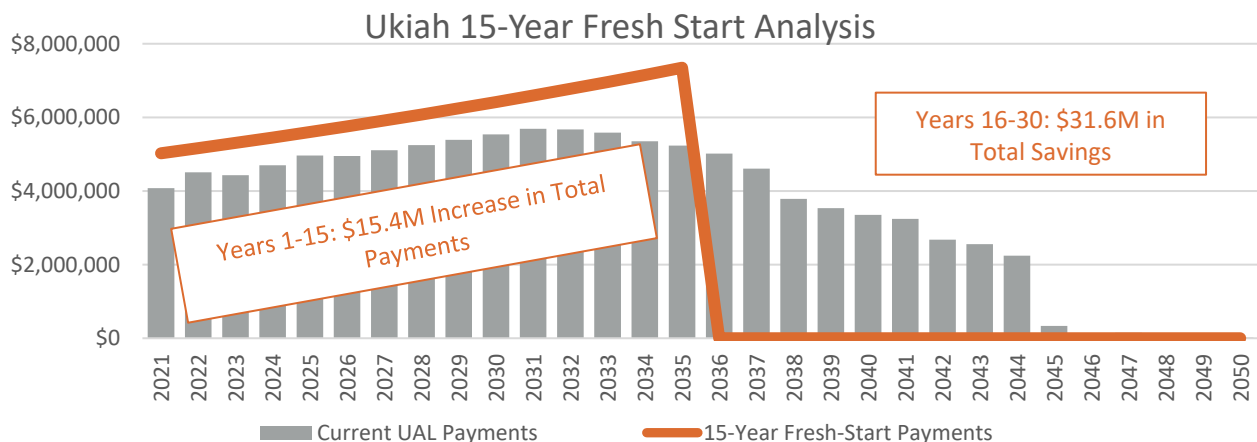
Instead of making monthly payments, the City can prepay its annual UAL payment and receive an approximate 3.5% discount (half the discount rate) on the required amount. This prepayment is often made from cash reserves or from the proceeds of a Tax and Revenue Anticipation Note (TRAN). For FYE 2021, these savings would amount to about \$142,000.

B. Exit CalPERS

Many cities have expressed interest in leaving PERS. Unfortunately, at an estimated cost of over \$140 million to the City (per the "Hypothetical Termination Liability" section of the PERS report), this option is extremely cost prohibitive given that PERS uses a "risk-free" rate of return to calculate this payment. Hypothetical rates of return of 2.50% and 3.25% were used in the most recent 2019 PERS actuarial report, translating to an **estimated termination payment somewhere between \$148 million and \$276 million.**

C. Fresh Start

The City can use the Fresh Start option that PERS provides to shorten the amortization period and create a more linear payment structure. The UAL remains the same and is amortized at the same discount rate, so there is no present value savings to the modified structure. Assuming a 15-year Fresh Start for the Miscellaneous Plan and 15-year for the Safety Plan (per the alternative schedules shown in the "Amortization Schedule and Alternatives" section of the PERS reports) cumulative annual payments are higher by approximately \$15.4 million through the new 15-year amortization, with approximately \$31.6 million in cash flow savings after Year 15, where all of the savings are expected to be realized. A shorter Fresh Start time horizon would increase payments in the near term even further, but would also reduce overall cumulative payments as less interest would be accrued over time. However, it is also important to note that once a Fresh Start is initiated, the City would not be allowed to revert back to its current amortization schedule.



D. Use Cash to Increase Contributions

The City can use cash reserves to make additional contributions in one of two ways. It can directly pay off a portion of the amortization bases with PERS or it can set up a separate Section 115 trust that is managed by a separate entity, such as Public Agency Retirement Services (PARS). For a direct pay down, the City can choose any amortization base within either of its plans and will get credit at the discount rate of 7.0%, thereby eliminating the future payments associated with that amortization base that is paid off. It is important to note that the longer (maturity) the amortization base is, the more cumulative cash flow savings there is, but less on an annual basis. Conversely, a shorter amortize base paid off translates into more annual savings, but less on a cumulative basis.

As of June 30, 2019, the City’s FY 2019 CAFR estimates a FYE General Fund balance of approximately \$3.3 million. We acknowledge however, per the City’s Financial Management Policy, the City’s commitment to maintain reserves of at least 25% of operating expenditures (\$19.9 million of operating expenditures in FYE 2019). **For illustrative purposes, the table to the right depicts the future payment reductions from a \$1.0 million pay-down, both for a 10-year base, and a 20-year base.**

A Section 115 Trust is a separate account managed by a third party, but can only be used to fund pension and OPEB costs. The key benefit of this trust is flexibility, meaning that the City can elect when and how it would like to utilize the funds. The funds can be invested in a variety of ways, with varying investment objectives available based on the City’s desired risk tolerance. Funds can be left in the account to grow over time, can be used to make additional contributions directly to PERS, or can be used to make the City’s required annual PERS payments during challenging budgetary years.

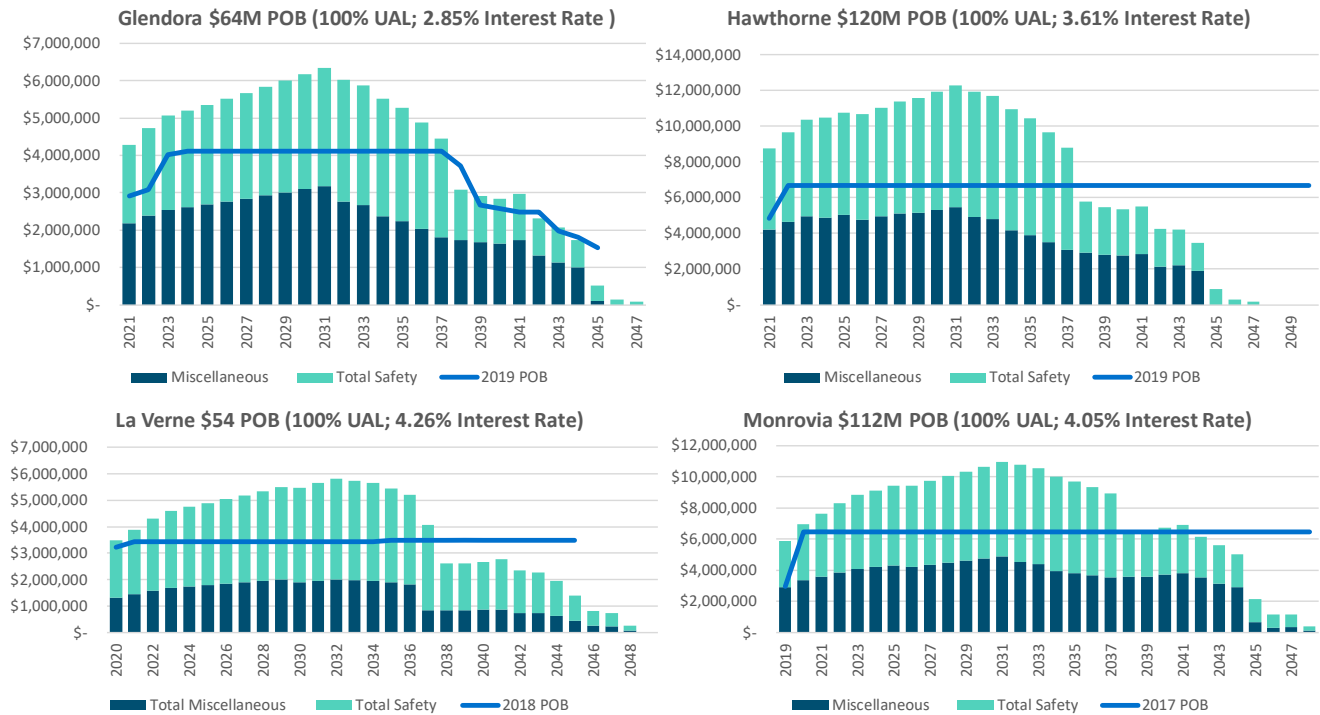
Fiscal Year	Reduced Payments from \$1.0 Million Pay Down	
	20-Year Amortization Base	10 Year Amortization Base
2020	74,712	123,926
2021	76,673	127,179
2022	78,686	130,517
2023	80,752	133,943
2024	82,871	137,459
2025	85,047	141,068
2026	87,279	144,771
2027	89,570	148,571
2028	91,921	152,471
2029	94,334	156,473
2030	96,811	-
2031	99,352	-
2032	101,960	-
2033	104,636	-
2034	107,383	-
2035	110,202	-
2036	113,095	-
2037	116,063	-
2038	119,110	-
2039	122,237	-
Reduced Payments	1,932,696	1,396,379
Initial Deposit	(1,000,000)	(1,000,000)
Net Savings	932,696	396,379

Estimated payments assume a 7.00% Discount Rate and 2.625% Annual Payroll Growth.

E. Restructure Portion of UAL to Smooth Payments

Some cities have borrowed money (either internally from other funds, or publicly from investors through a Pension Obligation Bond (POB) issuance) to pay down a portion of their UAL and replace those PERS payments with new payments at a lower interest rate. It is important to note that any prepayment of UAL is not without risks, most notably, reinvestment/market timing risk in this instance. The general rule is that a borrowing will produce positive present value (PV) savings if the investment earnings earned by PERS is greater than the rate paid on the new borrowing. The ability to restructure (“smooth-out”) the overall payment shape to enhance budget predictability is, in our view, a more important consideration than trying to create PV savings through arbitrage.

Over the past year or two, several cities have issued POBs, including the cities of Pacifica, Hawthorne, Glendora, Marysville, Baldwin Park, La Verne, Monrovia, Brawley and Chowchilla. Most of them have utilized a “smoothing” strategy for the new amortization in order to (1) create near term cash flow savings, (2) stabilize and lower pension costs as a % of payroll and (3) enhance long term budget predictability. The graphic below visually depicts the smoothing technique utilized by four of these cities. Also as shown, interest rates on the POBs ranged from about 2.85% to 4.26%. Note that these are best estimates based on our review of each City’s actuarial reports and official statement for each of the POB transactions.



In the current market environment, a strategically structured POB for Ukiah could potentially generate around \$1.0 million to \$1.6 million of annual cash flow savings over the next 15 years. Ultimately, these annual savings are dependent on the size of the issuance (how much UAL is paid off), the structure/amortization of the new POB, and the interest rate market. Generally speaking, a smaller POB (\$20M - \$30M, funding 35-50% of the UAL) would generate savings on the lower end of that range while a larger POB (\$45M - \$55M, funding over 80% of UAL) would project savings on the upper range of that range. If a POB is evaluated by the City, it is important to analyze all options available to carefully tailor the strategy to the City’s budgetary objectives. This includes evaluating pro-rata vs. selective amortization base pay-offs, various sizes of UAL paid off, and different amortization shapes for the new debt (i.e. flat vs 2% annual escalating).

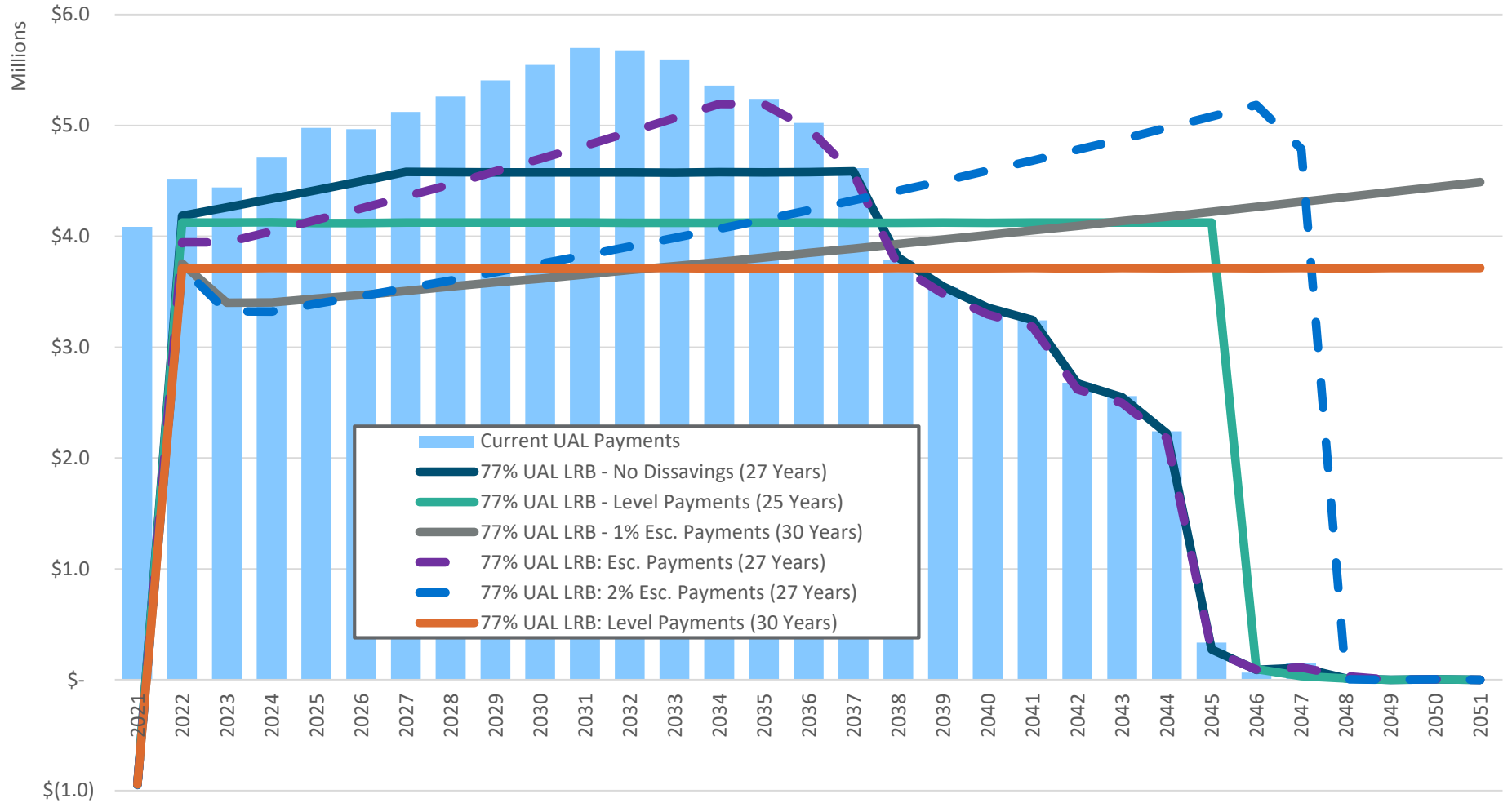
It is also critical to evaluate the core risk of any POB, which is reinvestment and market timing risk, and develop strategies to help mitigate these risks. NHA can help estimate the impact of poor market timing and a significant crash immediately after a POB is issued. Beyond this initial worst-case breakeven analysis, we often recommend considering the services of a professional actuary to conduct more comprehensive stress-testing to quantify the risks associated and evaluate a status quo vs. POB scenario under a myriad of reinvestment scenarios by CalPERS, and particularly under a recessionary scenario.

OTHER RESOURCES

- NHA 2019 Pension White Paper (“Pension Costs: The Everchanging Landscape”)
 - <http://nhaadvisors.com/wp-content/uploads/2018/09/NHA-Pension-White-Paper-Fall-2019.pdf>
- League of California Cities: <https://www.cacities.org/>
 - Pension: <https://www.cacities.org/Policy-Advocacy/Hot-Issues/Retirement-System-Sustainability>
- Government Finance Officers Association: <http://www.gfoa.org/>
 - Pension: <http://www.gfoa.org/pension-resource-center>
- CalPERS: <https://www.calpers.ca.gov/>
- List of Actuaries: <https://www.calpers.ca.gov/docs/opeb-actuaries.pdf>

City of Ukiah

Hypothetical UAL Restructuring Savings



Savings Analysis

Metrics	77% UAL LRB - No Dissavings (27 Years)	77% UAL LRB: Esc. Payments (27 Years)	77% UAL LRB - Level Payments (25 Years)	77% UAL LRB: 2% Esc. Payments (27 Years)	77% UAL LRB: Level Payments (30 Years)	77% UAL LRB - 1% Esc. Payments (30 Years)
UAL Funded (\$)	\$43,000,000	\$43,000,000	\$43,000,000	\$43,000,000	\$43,000,000	\$43,000,000
UAL Funded (%)	77%	77%	77%	77%	77%	77%
New Funded Ratio	92%	92%	92%	92%	92%	92%
Average Life of New Debt	13.5 Years	13.7 Years	15.8 Years	19.8 Years	21.3 Years	22.0 Years
All-In Interest Rate	3.84%	3.85%	3.92%	4.06%	4.10%	4.12%
PV Savings (%)	28.51%	28.28%	26.93%	24.63%	24.18%	21.04%
PV Savings (\$)	\$12,258,502	\$12,158,402	\$11,580,349	\$10,590,273	\$10,399,523	\$9,046,059
Cumulative Savings	\$15,262,116	\$14,528,000	\$10,102,913	\$1,046,525	(\$2,163,237)	(\$7,776,439)
Savings From 2021 to 2037	\$15,127,849	\$14,000,135	\$21,216,937	\$26,910,396	\$27,797,575	\$29,063,784
Average Savings (2021-2037)	\$889,873	\$823,537	\$1,248,055	\$1,582,964	\$1,635,151	\$1,709,634

Savings Analysis: No Dissavings (27 Years)

77% UAL LRB - No Dissavings (27 Years)							
FY	Current UAL Payment	Unrefunded		FY 21		Savings	PV Savings
		UAL Payment	LRB Debt Service	Proceeds from Bond	Total New Payments		
2021	4,086,083	4,086,083	(28,606)	(5,000,000)	(942,523)	5,028,606	5,028,606
2022	4,518,673	1,018,978	3,165,249	0	4,184,227	334,446	318,342
2023	4,440,951	1,001,452	3,259,929	0	4,261,381	179,570	164,692
2024	4,710,180	1,062,164	3,276,011	0	4,338,175	372,005	328,743
2025	4,976,823	1,122,293	3,293,266	0	4,415,558	561,265	477,911
2026	4,965,125	1,119,655	3,375,384	0	4,495,039	470,086	385,680
2027	5,120,633	1,154,723	3,426,280	0	4,581,003	539,630	426,595
2028	5,261,452	1,186,478	3,391,544	0	4,578,022	683,430	520,577
2029	5,406,139	1,219,105	3,357,766	0	4,576,871	829,268	608,633
2030	5,545,404	1,250,510	3,325,724	0	4,576,234	969,170	685,379
2031	5,697,900	1,284,898	3,290,711	0	4,575,610	1,122,290	764,728
2032	5,676,907	1,280,164	3,296,920	0	4,577,084	1,099,823	722,096
2033	5,593,925	1,261,452	3,313,241	0	4,574,693	1,019,232	644,786
2034	5,359,404	1,208,566	3,369,095	0	4,577,661	781,743	476,515
2035	5,238,653	1,181,336	3,394,763	0	4,576,099	662,554	389,139
2036	5,021,795	1,132,434	3,445,189	0	4,577,623	444,172	251,365
2037	4,614,983	1,040,696	3,543,725	0	4,584,422	30,561	16,665
2038	3,789,294	854,500	2,952,793	0	3,807,294	(18,000)	(9,457)
2039	3,536,565	797,509	2,748,604	0	3,546,114	(9,549)	(4,834)
2040	3,351,040	755,672	2,601,177	0	3,356,850	(5,810)	(2,834)
2041	3,241,068	730,873	2,513,280	0	3,244,153	(3,085)	(1,450)
2042	2,679,054	604,137	2,067,740	0	2,671,878	7,176	3,250
2043	2,558,147	576,872	1,970,064	0	2,546,936	11,211	4,892
2044	2,241,161	505,390	1,716,620	0	2,222,011	19,150	8,052
2045	334,991	75,542	196,844	0	272,386	62,605	25,363
2046	65,537	14,779	74,425	0	89,204	(23,667)	(9,239)
2047	146,577	33,054	74,425	0	107,479	39,098	14,706
2048	51,745	11,669	(19)	0	11,650	40,095	14,531
2049	941	212	0	0	212	729	254
2050	18,480	4,167	0	0	4,167	14,313	4,816
2051	0	0	0	0	0	0	0
Total	108,249,630	27,575,365	70,412,149	(5,000,000)	92,987,514	15,262,116	12,258,502

Savings Analysis: No Dissavings (27 Years; 2% Escalation)

77% UAL LRB: Esc. Payments (27 Years)							
FY	Current UAL Payment	Unrefunded		FY 21		Savings	PV Savings
		UAL Payment	LRB Debt Service	Proceeds from Bond	Total New Payments		
2021	4,086,083	4,086,083	(29,025)	(5,000,000)	(942,942)	5,029,025	5,029,025
2022	4,518,673	1,018,978	2,924,858	0	3,943,836	574,837	547,061
2023	4,440,951	1,001,452	2,943,244	0	3,944,696	496,255	454,998
2024	4,710,180	1,062,164	2,981,440	0	4,043,604	666,576	588,799
2025	4,976,823	1,122,293	3,025,974	0	4,148,267	828,556	705,103
2026	4,965,125	1,119,655	3,130,534	0	4,250,189	714,936	586,153
2027	5,120,633	1,154,723	3,204,062	0	4,358,784	761,849	601,763
2028	5,261,452	1,186,478	3,280,870	0	4,467,348	794,104	604,292
2029	5,406,139	1,219,105	3,365,812	0	4,584,917	821,222	602,064
2030	5,545,404	1,250,510	3,449,126	0	4,699,636	845,768	597,375
2031	5,697,900	1,284,898	3,530,753	0	4,815,652	882,248	600,343
2032	5,676,907	1,280,164	3,659,406	0	4,939,570	737,337	483,379
2033	5,593,925	1,261,452	3,803,388	0	5,064,840	529,085	334,165
2034	5,359,404	1,208,566	3,985,543	0	5,194,110	165,294	100,579
2035	5,238,653	1,181,336	4,008,307	0	5,189,644	49,009	28,730
2036	5,021,795	1,132,434	3,839,324	0	4,971,758	50,037	28,260
2037	4,614,983	1,040,696	3,520,290	0	4,560,987	53,996	29,380
2038	3,789,294	854,500	2,880,717	0	3,735,217	54,077	28,347
2039	3,536,565	797,509	2,683,760	0	3,481,269	55,296	27,926
2040	3,351,040	755,672	2,538,509	0	3,294,182	56,858	27,664
2041	3,241,068	730,873	2,452,829	0	3,183,702	57,366	26,890
2042	2,679,054	604,137	2,014,407	0	2,618,544	60,510	27,326
2043	2,558,147	576,872	1,918,746	0	2,495,618	62,529	27,205
2044	2,241,161	505,390	1,672,218	0	2,177,608	63,553	26,639
2045	334,991	75,542	188,551	0	264,092	70,899	28,630
2046	65,537	14,779	76,333	0	91,112	(25,575)	(9,950)
2047	146,577	33,054	76,333	0	109,387	37,190	13,939
2048	51,745	11,669	19,956	0	31,624	20,121	7,266
2049	941	212	0	0	212	729	254
2050	18,480	4,167	0	0	4,167	14,313	4,797
2051	0	0	0	0	0	0	0
Total	108,249,630	27,575,365	71,146,265	(5,000,000)	93,721,630	14,528,000	12,158,402

Savings Analysis: Level Payments (25 Years)

77% UAL LRB - Level Payments (25 Years)							
FY	Current UAL Payment	Unrefunded		FY 21		Savings	PV Savings
		UAL Payment	LRB Debt Service	Proceeds from Bond	Total New Payments		
2021	4,086,083	4,086,083	(33,407)	(5,000,000)	(947,324)	5,033,407	5,033,407
2022	4,518,673	1,018,978	3,105,823	0	4,124,801	393,872	374,471
2023	4,440,951	1,001,452	3,121,399	0	4,122,850	318,101	291,151
2024	4,710,180	1,062,164	3,062,934	0	4,125,098	585,082	515,538
2025	4,976,823	1,122,293	2,997,964	0	4,120,257	856,566	726,600
2026	4,965,125	1,119,655	3,000,602	0	4,120,256	844,869	689,944
2027	5,120,633	1,154,723	2,970,225	0	4,124,947	995,686	782,776
2028	5,261,452	1,186,478	2,936,816	0	4,123,294	1,138,158	861,407
2029	5,406,139	1,219,105	2,905,815	0	4,124,920	1,281,219	933,511
2030	5,545,404	1,250,510	2,872,818	0	4,123,328	1,422,076	997,492
2031	5,697,900	1,284,898	2,838,105	0	4,123,003	1,574,897	1,063,480
2032	5,676,907	1,280,164	2,840,990	0	4,121,154	1,555,753	1,011,366
2033	5,593,925	1,261,452	2,860,407	0	4,121,859	1,472,066	921,267
2034	5,359,404	1,208,566	2,912,221	0	4,120,788	1,238,616	746,252
2035	5,238,653	1,181,336	2,941,519	0	4,122,855	1,115,798	647,179
2036	5,021,795	1,132,434	2,991,643	0	4,124,077	897,718	501,268
2037	4,614,983	1,040,696	3,081,235	0	4,121,931	493,052	265,041
2038	3,789,294	854,500	3,267,384	0	4,121,884	(332,590)	(172,115)
2039	3,536,565	797,509	3,325,380	0	4,122,889	(586,324)	(292,105)
2040	3,351,040	755,672	3,365,809	0	4,121,482	(770,442)	(369,514)
2041	3,241,068	730,873	3,393,860	0	4,124,734	(883,666)	(408,009)
2042	2,679,054	604,137	3,519,352	0	4,123,489	(1,444,435)	(642,052)
2043	2,558,147	576,872	3,546,980	0	4,123,852	(1,565,705)	(669,997)
2044	2,241,161	505,390	3,617,553	0	4,122,944	(1,881,783)	(775,217)
2045	334,991	75,542	4,047,502	0	4,123,044	(3,788,053)	(1,502,312)
2046	65,537	14,779	80,426	0	95,205	(29,668)	(11,327)
2047	146,577	33,054	0	0	33,054	113,523	41,726
2048	51,745	11,669	0	0	11,669	40,076	14,181
2049	941	212	0	0	212	729	248
2050	18,480	4,167	0	0	4,167	14,313	4,694
2051	0	0	0	0	0	0	0
Total	108,249,630	27,575,365	75,571,352	(5,000,000)	98,146,717	10,102,913	11,580,349

Savings Analysis: Escalating Payments (27 Years)

77% UAL LRB: 2% Esc. Payments (27 Years)							
FY	Current UAL Payment	Unrefunded		FY 21		Savings	PV Savings
		UAL Payment	LRB Debt Service	Proceeds from Bond	Total New Payments		
2021	4,086,083	4,086,083	(34,777)	(5,000,000)	(948,694)	5,034,777	5,034,777
2022	4,518,673	1,018,978	2,703,033	0	3,722,011	796,662	756,049
2023	4,440,951	1,001,452	2,321,547	0	3,322,998	1,117,953	1,019,993
2024	4,710,180	1,062,164	2,258,216	0	3,320,380	1,389,800	1,219,058
2025	4,976,823	1,122,293	2,269,591	0	3,391,884	1,584,939	1,336,543
2026	4,965,125	1,119,655	2,339,076	0	3,458,731	1,506,394	1,221,257
2027	5,120,633	1,154,723	2,376,080	0	3,530,802	1,589,831	1,239,132
2028	5,261,452	1,186,478	2,415,565	0	3,602,043	1,659,409	1,243,421
2029	5,406,139	1,219,105	2,457,404	0	3,676,509	1,729,630	1,245,994
2030	5,545,404	1,250,510	2,501,582	0	3,752,092	1,793,312	1,241,987
2031	5,697,900	1,284,898	2,543,021	0	3,827,919	1,869,981	1,245,077
2032	5,676,907	1,280,164	2,625,844	0	3,906,009	1,770,898	1,133,577
2033	5,593,925	1,261,452	2,723,787	0	3,985,239	1,608,686	989,981
2034	5,359,404	1,208,566	2,858,328	0	4,066,894	1,292,510	764,694
2035	5,238,653	1,181,336	2,969,026	0	4,150,363	1,088,290	619,009
2036	5,021,795	1,132,434	3,102,931	0	4,235,365	786,430	430,041
2037	4,614,983	1,040,696	3,283,393	0	4,324,090	290,893	152,926
2038	3,789,294	854,500	3,557,306	0	4,411,806	(622,512)	(314,626)
2039	3,536,565	797,509	3,699,961	0	4,497,470	(960,905)	(466,901)
2040	3,351,040	755,672	3,836,640	0	4,592,313	(1,241,273)	(579,842)
2041	3,241,068	730,873	3,952,272	0	4,683,146	(1,442,078)	(647,634)
2042	2,679,054	604,137	4,176,413	0	4,780,550	(2,101,496)	(907,335)
2043	2,558,147	576,872	4,298,458	0	4,875,330	(2,317,183)	(961,829)
2044	2,241,161	505,390	4,473,911	0	4,979,301	(2,738,140)	(1,092,675)
2045	334,991	75,542	5,003,901	0	5,079,443	(4,744,452)	(1,820,203)
2046	65,537	14,779	5,167,824	0	5,182,603	(5,117,066)	(1,887,352)
2047	146,577	33,054	4,755,699	0	4,788,753	(4,642,176)	(1,646,083)
2048	51,745	11,669	(8,291)	0	3,378	48,367	16,488
2049	941	212	0	0	212	729	239
2050	18,480	4,167	0	0	4,167	14,313	4,510
2051	0	0	0	0	0	0	0
Total	108,249,630	27,575,365	84,627,740	(5,000,000)	107,203,105	1,046,525	10,590,273

Savings Analysis: Level Payments (30 Years)

77% UAL LRB: Level Payments (30 Years)							
FY	Current UAL Payment	Unrefunded		FY 21		Savings	PV Savings
		UAL Payment	LRB Debt Service	Proceeds from Bond	Total New Payments		
2021	4,086,083	4,086,083	(31,199)	(5,000,000)	(945,116)	5,031,199	5,031,199
2022	4,518,673	1,018,978	2,693,050	0	3,712,028	806,645	765,152
2023	4,440,951	1,001,452	2,708,520	0	3,709,971	730,980	666,363
2024	4,710,180	1,062,164	2,651,632	0	3,713,796	996,384	872,915
2025	4,976,823	1,122,293	2,589,369	0	3,711,662	1,265,161	1,065,200
2026	4,965,125	1,119,655	2,591,012	0	3,710,667	1,254,458	1,015,035
2027	5,120,633	1,154,723	2,556,183	0	3,710,905	1,409,728	1,096,227
2028	5,261,452	1,186,478	2,525,075	0	3,711,553	1,549,899	1,158,266
2029	5,406,139	1,219,105	2,492,957	0	3,712,062	1,694,077	1,216,684
2030	5,545,404	1,250,510	2,460,234	0	3,710,744	1,834,660	1,266,311
2031	5,697,900	1,284,898	2,427,088	0	3,711,987	1,985,913	1,317,301
2032	5,676,907	1,280,164	2,432,876	0	3,713,040	1,963,867	1,251,920
2033	5,593,925	1,261,452	2,451,655	0	3,713,106	1,880,819	1,152,263
2034	5,359,404	1,208,566	2,500,890	0	3,709,456	1,649,948	971,437
2035	5,238,653	1,181,336	2,530,467	0	3,711,803	1,526,850	863,934
2036	5,021,795	1,132,434	2,577,132	0	3,709,566	1,312,229	713,566
2037	4,614,983	1,040,696	2,669,527	0	3,710,223	904,760	472,822
2038	3,789,294	854,500	2,859,643	0	3,714,144	75,150	37,743
2039	3,536,565	797,509	2,912,966	0	3,710,475	(173,910)	(83,940)
2040	3,351,040	755,672	2,955,901	0	3,711,573	(360,533)	(167,236)
2041	3,241,068	730,873	2,983,667	0	3,714,540	(473,472)	(211,066)
2042	2,679,054	604,137	3,105,587	0	3,709,724	(1,030,670)	(441,554)
2043	2,558,147	576,872	3,136,358	0	3,713,230	(1,155,083)	(475,573)
2044	2,241,161	505,390	3,206,787	0	3,712,178	(1,471,017)	(582,051)
2045	334,991	75,542	3,638,406	0	3,713,948	(3,378,957)	(1,284,891)
2046	65,537	14,779	3,695,914	0	3,710,692	(3,645,155)	(1,332,109)
2047	146,577	33,054	3,680,642	0	3,713,695	(3,567,118)	(1,252,798)
2048	51,745	11,669	3,697,986	0	3,709,655	(3,657,910)	(1,234,629)
2049	941	212	3,714,162	0	3,714,374	(3,713,433)	(1,204,534)
2050	18,480	4,167	3,709,379	0	3,713,546	(3,695,066)	(1,151,875)
2051	0	0	3,713,636	0	3,713,636	(3,713,636)	(1,112,558)
Total	108,249,630	27,575,365	87,837,502	(5,000,000)	110,412,867	(2,163,237)	10,399,523

Savings Analysis: Escalating Payments (30 Years)

77% UAL LRB - 1% Esc. Payments (30 Years)							
FY	Current UAL Payment	Unrefunded		FY 21		Savings	PV Savings
		UAL Payment	LRB Debt Service	Proceeds from Bond	Total New Payments		
2021	4,086,083	4,086,083	(32,919)	(5,000,000)	(946,836)	5,032,919	5,032,919
2022	4,518,673	1,018,978	2,735,297	0	3,754,275	764,398	724,882
2023	4,440,951	1,001,452	2,400,182	0	3,401,634	1,039,317	946,994
2024	4,710,180	1,062,164	2,340,672	0	3,402,836	1,307,344	1,144,566
2025	4,976,823	1,122,293	2,316,126	0	3,438,418	1,538,405	1,294,115
2026	4,965,125	1,119,655	2,350,445	0	3,470,100	1,495,025	1,208,377
2027	5,120,633	1,154,723	2,353,174	0	3,507,897	1,612,736	1,252,474
2028	5,261,452	1,186,478	2,359,413	0	3,545,891	1,715,561	1,280,156
2029	5,406,139	1,219,105	2,364,216	0	3,583,321	1,822,818	1,306,927
2030	5,545,404	1,250,510	2,367,781	0	3,618,291	1,927,113	1,327,599
2031	5,697,900	1,284,898	2,370,177	0	3,655,076	2,042,824	1,352,204
2032	5,676,907	1,280,164	2,415,617	0	3,695,781	1,981,126	1,260,012
2033	5,593,925	1,261,452	2,468,097	0	3,729,548	1,864,377	1,139,325
2034	5,359,404	1,208,566	2,560,024	0	3,768,591	1,590,813	934,082
2035	5,238,653	1,181,336	2,626,057	0	3,807,393	1,431,260	807,487
2036	5,021,795	1,132,434	2,717,625	0	3,850,059	1,171,736	635,182
2037	4,614,983	1,040,696	2,848,273	0	3,888,970	726,013	378,150
2038	3,789,294	854,500	3,075,090	0	3,929,590	(140,296)	(70,213)
2039	3,536,565	797,509	3,173,366	0	3,970,875	(434,310)	(208,844)
2040	3,351,040	755,672	3,254,260	0	4,009,933	(658,893)	(304,431)
2041	3,241,068	730,873	3,322,955	0	4,053,828	(812,760)	(360,818)
2042	2,679,054	604,137	3,488,686	0	4,092,823	(1,413,769)	(603,053)
2043	2,558,147	576,872	3,561,051	0	4,137,923	(1,579,776)	(647,477)
2044	2,241,161	505,390	3,670,855	0	4,176,246	(1,935,085)	(762,045)
2045	334,991	75,542	4,144,532	0	4,220,074	(3,885,083)	(1,470,050)
2046	65,537	14,779	4,251,476	0	4,266,255	(4,200,718)	(1,527,238)
2047	146,577	33,054	4,277,462	0	4,310,516	(4,163,939)	(1,454,585)
2048	51,745	11,669	4,342,728	0	4,354,397	(4,302,652)	(1,444,184)
2049	941	212	4,398,794	0	4,399,006	(4,398,065)	(1,418,402)
2050	18,480	4,167	4,440,763	0	4,444,931	(4,426,451)	(1,371,655)
2051	0	0	4,488,428	0	4,488,428	(4,488,428)	(1,336,395)
Total	108,249,630	27,575,365	93,450,704	(5,000,000)	116,026,069	(7,776,439)	9,046,059

RECORDING REQUESTED BY:)
 City of Ukiah)
)
WHEN RECORDED MAIL TO:)
 The Weist Law Firm)
 20 South Santa Cruz Avenue, Suite 300)
 Los Gatos, California 95030)
 Attn: Cameron A. Weist, Esq.)
)

(DO NOT WRITE ABOVE LINE - SPACE FOR RECORDERS USE ONLY)

THIS IS A FINANCING DOCUMENT RECORDED FOR THE BENEFIT OF THE CITY OF UKIAH. THIS TRANSACTION IS EXEMPT FROM DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

MEMORANDUM OF 2020A LEASE AGREEMENT

This Memorandum of 2020A Lease Agreement (this “Memorandum of 2020A Lease Agreement”), is entered into as of October 1, 2020, by and between the UKIAH PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California, as sublessor (the “Authority”), and the CITY OF UKIAH, a municipal corporation and general law city duly organized and validly existing under the constitution and laws of the State of California, as sublessee (the “City”), who agree as follows:

Section 1. The 2020A Lease. The City leases from the Authority and the Authority leases to the City, certain real property described in paragraph 2 hereof, and the improvements situated upon said real property, upon the terms and conditions, and for the term, more fully set forth in the 2020A Lease Agreement, dated as of October 1, 2020, by and between the Authority, as sublessor, and the City, as sublessee (the “2020A Lease Agreement”), all of the provisions of which are hereby incorporated into this Memorandum of 2020A Lease Agreement by reference.

Section 2. Leased Premises; Term. The Authority subleases, lets and demises unto the City and the City subleases, hires and takes from the Authority, certain land and related real property which is located in the City of Ukiah, State of California, and is more particularly described in Exhibit A attached hereto and made a part hereof (the “2020A Site”), along with all improvements on and to the 2020A Site (the “2020A Facilities,” and together with the 2020A Site, the “2020A Leased Facilities”). The 2020A Lease Agreement is for a term commencing on the date of recordation of this Memorandum of 2020A Lease Agreement and ending on October 1, 20_, or such earlier or later date on which the 2020A Base Rental Payments (as defined in the 2020A Lease Agreement) are paid in full or provision has been made for such payment in accordance with the 2020A Lease Agreement.

Section 3. Assignment of Lessor's Rights Under 2020A Lease Agreement. Pursuant to the 2020A Assignment Agreement dated as of October 1, 2020, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), recorded concurrently herewith, the Authority has agreed to assign and transfer to the Trustee, certain of its rights under the 2020A Lease Agreement, and in consideration of such assignment and the execution of the Indenture dated as of October 1, 2020, by and between the Trustee and the Authority, the Trustee has agreed to authenticate and deliver the Bonds (as defined in the Indenture), which are payable from the 2020A Base Rental Payments to be made by the City under the 2020A Lease Agreement.

Section 4. Provisions Binding on Successors and Assigns. Subject to the provisions of the 2020A Lease Agreement relating to assignment and subletting, the 2020A Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 5. Purpose of Memorandum. This Memorandum of 2020A Lease Agreement is prepared for the purpose of recordation, and it in no way modifies the provisions of the 2020A Lease Agreement.

Section 6. Execution. This Memorandum of 2020A Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page to follow on next page]

IN WITNESS WHEREOF, the Authority has caused this Memorandum of 2020A Lease Agreement to be executed in its name by its duly authorized officers; and the City has caused this Memorandum of 2020A Lease Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

UKIAH PUBLIC FINANCING AUTHORITY,
as sublessor

By: _____
Daniel Buffalo, Treasurer

Attest:

By: _____
Kristine Lawler, City Clerk

CITY OF UKIAH, CALIFORNIA,
as sublessee

By: _____
Sage Sangiacomo, City Manager

Attest:

By: _____
Kristine Lawler, City Clerk

EXHIBIT A

DESCRIPTION OF THE LEASED FACILITIES

ALL THAT CERTAIN REAL PROPERTY (ALONG WITH ALL IMPROVEMENTS, FIXTURES AND FACILITIES AT ANY TIME SITUATED THEREON) SITUATED IN THE CITY OF UKIAH, COUNTY OF MENDOCINO, STATE OF CALIFORNIA, AND ANY IMPROVEMENTS THERETO, DESCRIBED AS FOLLOWS:

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MENDOCINO

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)

ALL CAPACITY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MENDOCINO

On _____, before me, _____,
(Date) (Name and Title of officer)

personally appeared _____,
(Name of person signing)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of officer

(Seal)