

City of Fontana

8353 Sierra Avenue
Fontana, CA 92335



Regular Agenda

Next Reso. No. PFFA 2021-003

Tuesday, October 12, 2021

7:00 PM

Gover W. Taylor Council Chambers

Public Facilities Financing Authority

Acquanetta Warren – Board Member
Phillip Cothran - Board Member
John B. Roberts - Board Member
Jesus "Jesse" Sandoval – Board Member
Peter A. Garcia – Board Member
Janet Koehler Brooks - City Treasurer
Tonia Lewis - Agency Secretary

Welcome to the Fontana Public Facilities Financing Authority Meeting!

Welcome to the City of Fontana Public Facilities Financing Authority Meeting. A complete agenda packet is located in the binder on the table in the lobby of the Grover W. Taylor Council Chambers 8353 Sierra Avenue Fontana, CA 92335. To address the Authority, please fill out a card located at the entrance to the right indicating your desire to speak on either a specific agenda item or under Public Communications and give it to the Authority Clerk. Your name will be called when it is your turn to speak. In compliance with Americans with Disabilities Act, the Grover W. Taylor Council Chambers 8353 Sierra Avenue Fontana, CA 92335 is wheelchair accessible, and a portable microphone is available. Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection in the Grover W. Taylor Council Chambers 8353 Sierra Avenue Fontana, CA 92335.

Traducción en Español disponible a petición. Favor de notificar al Departamento "City Clerk". Para mayor información, favor de marcar el número (909) 350-7602.

CALL TO ORDER/ROLL CALL:

- A. 7:00 P.M. Call the Meeting to Order**

PUBLIC COMMUNICATIONS:

This is an opportunity for citizens to speak to the Authority for up to 3 minutes on items not on the Agenda, but within the Authority's jurisdiction. The Authority is prohibited by law from discussing or taking immediate action on non-agendized items.

- A. Public Communications**

CONSENT CALENDAR:

All matters listed under CONSENT CALENDAR will be enacted by one motion in the form listed below - there will be no separate discussion on these items prior to the time they are voted on, unless a member requests a specific item be removed from the Consent Calendar for discussion. Does any member of the public wish to address the Authority regarding any item on the Consent Calendar before the vote is taken?

- A. Approval of Minutes** [21-955](#)

Approve the minutes of the May 25, 2021, Regular Public Facilities Financing Authority Meeting.

Attachments: [Minutes - Public Facilities Financing Authority 5.25.2021](#)

Approve Consent Calendar Item as recommended by staff.

NEW BUSINESS:

- A. Issuance of Fontana Public Facilities Financing Authority** [21-904](#)

Lease Revenue Bonds, Series 2021A

Adopt **Resolution No. FPFFA 2021-__** of the Board of Directors of the Fontana Public Facilities Financing Authority authorizing the execution and delivery by the Authority of a Ground Lease, Lease Agreement, Indenture, Assignment Agreement, Escrow Agreement and Bond Purchase Agreement in connection with the issuance of Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021, authorizing the issuance of such Bonds in an aggregate principal amount of not to exceed \$28,000,000, authorizing the distribution of an Official Statement in connection with the offering and sale of such Bonds and authorizing the execution of necessary documents and certificates and related actions.

- Attachments:** [Authority Authorizing Resolution](#)
[Indenture](#)
[Lease Agreement](#)
[Memorandum of Lease](#)
[Ground Lease](#)
[Escrow Agreement](#)
[Assignment Agreement](#)
[Preliminary Official Statement](#)
[Bond Purchase Agreement](#)

ELECTED OFFICIALS COMMUNICATIONS/COMMITTEE REPORTS:

- A. Elected Officials Communications/Committee Reports

EXECUTIVE DIRECTOR'S COMMUNICATIONS:

- A. Executive Director's Communications

ADJOURNMENT:

- A. Adjournment



City of Fontana

8353 Sierra Avenue
Fontana, CA 92335

Action Report

Public Facilities Financing Authority

File #: 21-955
Agenda #: A.

Agenda Date: 10/12/2021
Category: Consent Calendar

FROM:
City Clerk

SUBJECT:
Approval of Minutes

RECOMMENDATION:
Approve the minutes of the May 25, 2021, Regular Public Facilities Financing Authority Meeting.

COUNCIL GOALS:

- To create a team by working together to provide stability and consistent policy direction.
- To create a team by communicating Goals and Objectives to all sectors of the community.

DISCUSSION:
The Public Facilities Financing Authority will consider approval of the minutes of the May 25, 2021, Regular Public Facilities Financing Authority Meeting. The draft minutes are attached to this report for Authority review and approval.

FISCAL IMPACT:
None

MOTION:
Approve staff recommendation.

**MINUTES OF THE CITY OF FONTANA
REGULAR PUBLIC FACILITIES FINANCING AUTHORITY
May 25, 2021
AVAILABLE REMOTELY**

CALL TO ORDER/ROLL CALL:

A. 7:00 P.M. Call the Meeting to Order

The Regular Meeting of the City of Fontana Public Facilities Financing Authority was held remotely on Tuesday, May 25, 2021. Chairperson Warren called the meeting to order at 8:43 p.m.

ROLL CALL:

Present: Chairperson Warren, Vice-Chair Cothran, Authority Members Roberts, Sandoval and Garcia.

Absent: None

PUBLIC COMMUNICATIONS:

A. Public Communications

There were no public communications received.

CONSENT CALENDAR:

ACTION: Motion was made by Vice-Chair Cothran, seconded by Authority Member Roberts, and passed by a vote of 5-0 to approve Consent Calendar Item "A" (AYES: Warren, Cothran, Roberts, Sandoval and Garcia; NOES: None).

A. Approval of Minutes

Approve the Minutes of the March 23, 2021, Regular Public Facilities Financing Authority Meeting.

NEW BUSINESS:

A. CFD Bond Refinancing

Management Services Director Lisa Strong provided the staff report.

There were no public communication received.

ACTION: Motion was made by Authority Member Garcia, seconded by Authority Member Roberts, and passed by a vote of 5-0 to approve New Business Item "A" (AYES: Warren, Cothran, Roberts, Sandoval and Garcia; NOES: None) as follows:

Adopt **Resolution No. FPFPA 2021-002** of the Fontana Public Facilities Financing Authority authorizing the issuance of Fontana Public Facilities Financing Authority Special Tax Revenue Refunding Bonds, Series 2021, in an aggregate principal amount of not to exceed \$27,500,000, authorizing the execution and delivery of an Indenture, Bond Purchase Agreements and a Continuing Disclosure Agreement, authorizing the distribution of an Official Statement in connection therewith and authorizing the execution of necessary documents and certificates and related actions.

ELECTED OFFICIALS COMMUNICATIONS/COMMITTEE REPORTS:

A. Elected Officials Communications/Committee Reports

There were no Elected Officials communications received.

EXECUTIVE DIRECTOR'S COMMUNICATIONS:

A. Executive Director Communications

There were no Executive Director communications received.

ADJOURNMENT:

The Fontana Public Facilities Financing Authority adjourned by Consensus at 8:45 p.m.

Tonia Lewis
Authority Secretary

Acquanetta Warren
Chairperson



City of Fontana

8353 Sierra Avenue
Fontana, CA 92335

Action Report

Public Facilities Financing Authority

File #: 21-904

Agenda #: A.

Agenda Date: 10/12/2021

Category: New Business

FROM:

Management Services

SUBJECT:

Issuance of Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A

RECOMMENDATION:

Adopt **Resolution No. PFFFA 2021-___** of the Board of Directors of the Fontana Public Facilities Financing Authority authorizing the execution and delivery by the Authority of a Ground Lease, Lease Agreement, Indenture, Assignment Agreement, Escrow Agreement and Bond Purchase Agreement in connection with the issuance of Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021, authorizing the issuance of such Bonds in an aggregate principal amount of not to exceed \$28,000,000, authorizing the distribution of an Official Statement in connection with the offering and sale of such Bonds and authorizing the execution of necessary documents and certificates and related actions.

COUNCIL GOALS:

- To practice sound fiscal management by developing long-term funding and debt management plans.

DISCUSSION:

The City is planning to issue \$28 million of Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A, to finance the following:

- The costs of construction of Fire Station No. 81 consisting of approximately 13,247 square feet to be located at the corner of Sierra Avenue and Casa Grande in the northern end of the City. Fire Station No. 81 will be constructed to meet a goal of providing less than five-minute response time 90% of the time by the Fire Protection District. Construction is anticipated to begin in January 2022 and be completed in December 2022. The total construction costs are estimated at approximately \$12 million.
- The costs of construction of the Fire Protection District Training Facility consisting of 3,500 square feet including a 50-seat training classroom, a training tower, office space and storage, to be located on the site of future Fire Station No. 80 on Cherry Avenue between State Route 210 and South Highland Avenue in the northwest end of the City. Construction is anticipated to begin in April 2022 and be completed in March 2023. The total construction costs are estimated at \$10 million.
- The refinancing of the Fontana Public Financing Authority 2010 Lease Revenue Bonds (Fire Station No. 71 financing) which are currently outstanding in the aggregate principal amount of

\$4,995,000, to take advantage of historically low interest rates and produce present value savings of approximately \$1.3 million.

This action is necessary to approve the issuance of the bonds and complies with the City's debt management objectives. The following documents, in their materially correct form, are attached hereto:

1. Indenture,
2. Lease Agreement,
3. Memorandum of Lease,
4. Ground Lease,
5. Escrow Agreement,
6. Assignment Agreement,
7. Preliminary Official Statement, and
8. Bond Purchase Agreement.

The companion actions to this item are on the City Council agenda and the Fontana Public Financing Authority agenda for your consideration.

FISCAL IMPACT:

Costs of issuance will be paid from gross bond proceeds. Budget adjustments for the bond issuance will be included in the Mid-Year Budget Review. Future debt service payments will be included in future budgets.

MOTION:

Approve staff recommendation.

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

RESOLUTION NO. FPFFA-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FONTANA PUBLIC FACILITIES FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A GROUND LEASE, LEASE AGREEMENT, INDENTURE, ASSIGNMENT AGREEMENT, ESCROW AGREEMENT AND BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF FONTANA PUBLIC FACILITIES FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2021A, AUTHORIZING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$28,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the City of Fontana (the “City”) previously financed or refinanced a portion of the costs of the acquisition, construction and installation of certain public capital improvements within the City (the “2010 Project”) as described in the proceedings for the Fontana Public Financing Authority 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “2010 Bonds”);

WHEREAS, in order to accomplish such financing, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the 2010 Project through the 2010 Bonds, payable from certain lease payments to be made by the City under a lease agreement;

WHEREAS, the City desires to finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Training Facility located on the site of future Fire Station No. 80 (collectively, the “2021 Project”; and, together with the 2010 Project, the “Project”);

WHEREAS, the Authority and the City desire to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project;

WHEREAS, the City is a member of the Authority and the Project is located within the boundaries of the City;

WHEREAS, the City has, prior to the consideration of this Resolution, held a public hearing on the refinancing of the 2010 Project and the financing of the 2021 Project in accordance with Section 6586.5 of the Act, which hearing was held at 8353 Sierra Avenue, Fontana, California 92335 on October 12, 2021 and adopted its resolution approving the financing and making a finding of significant public benefit in accordance with the Act;

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 Fontana Herald News, a newspaper of the general circulation in the City;

WHEREAS, the Authority and the City have determined that it would be in the best interests of the Authority, the City and residents of the City to authorize the preparation, sale and delivery of the “Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A” (the “Bonds”) for the purpose of refinancing the 2010 Project, the 2010 Bonds, and the City’s related lease payments, and financing the 2021 Project;

WHEREAS, in order to facilitate the issuance of the Bonds, the City and the Authority desire to enter into a Ground Lease between the City and the Authority (the “Ground Lease”) pursuant to which the City will lease certain real property (which real property shall consist of assets generally described as the City’s Ben L. Abernathy Police Facility, Fire Station No. 71, the future site of Fire Station No. 81, and the future site of a new Fire Protection District Training Facility, subject to adjustment as described in Section 2 below (the “Leased Assets”)) to the Authority, and a Lease Agreement between the City and the Authority (the “Lease Agreement”), pursuant to which the City will lease the Leased Assets back from the Authority, and pay certain Base Rental Payments (as defined in the Lease Agreement), which are pledged to the owners of the Bonds by the Authority pursuant to an Indenture (the “Indenture”) by and among U.S. Bank National Association (the “Trustee”), the City and the Authority;

WHEREAS, the Authority and the Trustee desire to enter into an Assignment Agreement in order to provide, among other things, that all rights to receive the Base Rental Payments have been assigned without recourse by the Authority to the Trustee;

WHEREAS, the City and the Authority have determined that debt service savings can be achieved by the prepayment and defeasance of the 2010 Bonds and that significant public benefits will be achieved by the financing of the 2021 Project through the issuance of the Bonds by enabling the City to undertake the 2021 Project on a timely basis and provide a more efficient delivery of fire protection services to the community;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project through the offering and sale of the Bonds;

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

WHEREAS, the City and the Authority desire to provide for the negotiated sale of the Bonds;

WHEREAS, the City and the Authority have engaged Stifel Nicolaus & Company, Incorporated to act as underwriter (the “Underwriter”) to purchase the Bonds from the Authority pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”);

WHEREAS, a form of the Preliminary Official Statement (the “Preliminary Official Statement”) has been prepared;

WHEREAS, good faith estimates of certain information relating to the Lease Agreement and the Bonds are disclosed and set forth in Exhibit A attached to this Resolution as required by California Government Code Section 5852.1; such estimates were provided by the Municipal Advisor based on preliminary bond pricing information provided by the Underwriter;

WHEREAS, the Board of Directors of the Authority (the “Board of Directors”) has been presented with the form of each document referred to herein, and the Board of Directors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such refinancing; and

WHEREAS, all acts, conditions and things required by the 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 refinancing 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 refinancing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the Board of Directors of the Fontana Public Facilities Financing Authority does hereby resolve, determine and order as follows:

Section 1. All of the recitals herein contained are true and correct and the Board of Directors so finds. Each of the above recitals is true and correct. The Board of Directors of the Authority has determined and hereby finds that the Authority’s assistance in refinancing the 2010 Project and financing the 2021 Project by the issuance of the Bonds and related transactions will result in significant public benefits of the type described in Section 6586 (a) through (d), inclusive, of the Act.

Section 2. The forms of the Lease Agreement and the Ground Lease, on file with the Secretary of the Authority, are hereby approved, and the Chair, Vice Chair, Executive Director (which shall be the City Manager of the City), Auditor and Treasurer, and Secretary (the “Authorized Officers”), are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Lease Agreement and the Ground Lease, respectively, in substantially said forms, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the term of the Lease Agreement and the Ground Lease shall terminate no later than November 1, 2051 (provided that such term may be extended as provided therein) and the all-in true interest cost applicable to the interest components of the Base Rental Payments shall not exceed 5.00% per annum. In the event that it is determined by the City Manager, or his designee, that there are limitations or restrictions on the ability of the City to lease or sublease any portion of the Leased Assets as contemplated by the Ground Lease and Lease Agreement, the City Manager, or his designee, may designate other or additional real property of the City to be leased or subleased pursuant to the Ground Lease and Lease Agreement, with such designation to be conclusively evidenced by the execution and delivery of the Ground Lease and Lease Agreement by one or more of the Authorized Officers.

Section 3. The form of Indenture, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the Bonds shall not exceed \$28,000,000, the final maturity date of the Bonds shall be no later than November 1, 2051 and the all-in true interest cost applicable to the Bonds shall not exceed 5.00% per annum and, provided, further, that

such changes, insertions and omissions shall be consistent with the terms of the Bonds established at negotiated sale pursuant to the Bond Purchase Agreement.

Section 4. The issuance of not to exceed \$28,000,000 aggregate principal amount of the Bonds, in the principal amounts, bearing interest at the rates and maturing on the dates as specified in the Indenture as finally executed, is hereby authorized and approved.

The sale and issuance of the Bonds is hereby determined to be consistent with the Authority's Debt Management Policy adopted by Section 8 below, and to the extent the sale and issuance of the Bonds is not in compliance with the Authority's Debt Management Policy, such noncompliance is waived in accordance with the terms of the Authority's Debt Management Policy.

Section 5. The form of Assignment Agreement, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Assignment Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bond Purchase Agreement, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name of the Authority to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate underwriter's discount (not including any original issue discount paid by the Underwriter) from the principal amount of the Bonds in excess of one percent (1.00%) of the aggregate principal amount of the Bonds.

Section 7. The form of Preliminary Official Statement, on file with the Secretary of the Authority, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by such Rule).

The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Bonds a reasonable number of copies of the Preliminary Official Statement.

Section 8. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute the

final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the Authority.

Section 9. Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby approved and appointed as Bond Counsel, Jones Hall, a Professional Law Corporation, is hereby approved and appointed as Disclosure Counsel, CSG Advisors Incorporated is hereby approved and appointed as Municipal Advisor, and U.S. Bank National Association is hereby appointed as Trustee, each to provide such services to the Authority and any other related services as may be required to issue the Bonds and to defease and/or refinance the 2010 Bonds and the 2010 Lease.

Section 10. The officers and agents of the Authority are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. Specifically and without limiting the foregoing, any Authorized Officer is authorized and directed to solicit and accept bids for bond insurance and, if applicable, a reserve account insurance policy, for the Bonds, provided such officer determines acceptance of the best bid will result in further debt service savings, and appropriate changes to each of the documents referenced herein to evidence such bond insurance and the terms thereof, are hereby authorized and approved. Anything to the contrary herein notwithstanding, in the event the Executive Director determines in consultation with the Municipal Advisor that the cost efficient marketing of the Bonds requires creation of a funded reserve under the Indenture, each of the Indenture, Lease Agreement and other documents approved herein may be revised to reflect the funding of such a reserve. All actions heretofore taken by the officers and agents of the Authority with respect to the transactions set forth above are hereby approved, confirmed and ratified. The Authority Board of Directors hereby confirms that the Management Services Director of the City is appointed to serve as the Treasurer of the Authority.

Section 11. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED this 12th day of October, 2021.

Chair

(SEAL)

ATTEST:

Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, Tonia Lewis, Secretary of the Fontana Public Facilities Financing Authority, do hereby certify that the above and foregoing Resolution is a full, true and correct copy of Resolution No. FPFPA-_____ of said Board, and that the same has not been amended or repealed as of the date hereof.

DATED: _____, 2021.

Secretary of the Fontana Public Facilities Financing
Authority

(SEAL)

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by the City's Municipal Advisor, CSG Advisors Incorporated, in consultation with Stifel, Nicolaus & Company, Incorporated, the Underwriter of the Bonds.

Principal Amount. The Municipal Advisor has informed the City that, based on the City's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be issued and sold is **\$23,280,000** (the "Estimated Principal Amount"), which excludes approximately **\$3,852,000** of net premium estimated to be generated based on current market conditions. Net premium is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for such bonds is higher than the face value of such bonds. The Estimated Principal Amount plus the net premium represent the total estimated proceeds available in the aggregate amount of **\$27,132,000**.

True Interest Cost of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is **2.85%**.

Finance Charge of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and sold, and based on market interest rates prevailing at the time of preparation of such estimate and expectation to purchase bond insurance at a net beneficial cost to the City (meaning the cost of the insurance premium will be less than the reduced interest cost to the City), its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is **\$575,000**.

Amount of Proceeds to be Received. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the City for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is **\$26,557,000**.

Total Payment Amount. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the City will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is **\$39,426,000**, which excludes any reserves or capitalized interest paid or funded with proceeds of the Bonds (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds issued and sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, (f) alterations to the City's financing plan, or a combination of such factors.

INDENTURE

by and among

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

and

CITY OF FONTANA

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of November 1, 2021

Relating to

**\$ _____
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS SERIES 2021A**

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS; EQUAL SECURITY

Section 1.01	Definitions.....	2
Section 1.02	Equal Security	13

ARTICLE II
THE BONDS

Section 2.01	Authorization of Bonds.....	14
Section 2.02	Terms of Series 2021A Bonds	14
Section 2.03	Form of Series 2021A Bonds.....	16
Section 2.04	Transfer and Exchange of Bonds	16
Section 2.05	Registration Books.....	16
Section 2.06	Execution of Bonds.....	16
Section 2.07	Authentication of Bonds	17
Section 2.08	Temporary Bonds.....	17
Section 2.09	Bonds Mutilated, Lost, Destroyed or Stolen.....	17
Section 2.10	Book-Entry Bonds	17

ARTICLE III
ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01	Issuance of Series 2021A Bonds.....	19
Section 3.02	Application of Proceeds of the Series 2021A Bonds.....	19
Section 3.03	[Reserved]	19
Section 3.04	Costs of Issuance Fund	19
Section 3.05	Project Fund	20
Section 3.06	Conditions for the Issuance of Additional Bonds	20
Section 3.07	Procedure for the Issuance of Additional Bonds	21
Section 3.08	Additional Bonds	22

ARTICLE IV
REDEMPTION OF BONDS

Section 4.01	Redemption of Series 2021A Bonds.....	22
Section 4.02	Notice of Redemption	23
Section 4.03	Selection of Bonds for Redemption	24
Section 4.04	Partial Redemption of Bonds	24
Section 4.05	Effect of Notice of Redemption.....	24

ARTICLE V
SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS

Section 5.01	Pledge; Special Obligations	25
Section 5.02	Flow of Funds	25
Section 5.03	Application of Net Insurance Proceeds.....	26
Section 5.04	Title Insurance	27
Section 5.05	Rebate Fund	27
Section 5.06	Investment of Moneys.....	29

TABLE OF CONTENTS
(continued)

Page

ARTICLE VI
COVENANTS

Section 6.01	Compliance with Agreements.....	30
Section 6.02	Compliance with Ground Lease and Lease Agreement.....	30
Section 6.03	Observance of Laws and Regulations.....	30
Section 6.04	Other Liens.....	30
Section 6.05	Prosecution and Defense of Suits	31
Section 6.06	Accounting Records and Statements.....	31
Section 6.07	Recordation and Filing.....	31
Section 6.08	Tax Covenants	31
Section 6.09	Continuing Disclosure	32
Section 6.10	Further Assurances.....	32

ARTICLE VII
DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01	Action on Default.....	32
Section 7.02	Other Remedies of the Trustee.....	33
Section 7.03	Non-Waiver.....	33
Section 7.04	Remedies Not Exclusive	33
Section 7.05	No Liability by the Authority to the Owners	33
Section 7.06	No Liability by the City to the Owners.....	34
Section 7.07	No Liability of the Trustee to the Owners	34
Section 7.08	Application of Amounts After Default	34
Section 7.09	Trustee May Enforce Claims Without Possession of Bonds	34
Section 7.10	Limitation on Suits.....	34
Section 7.11	Consent of 2021 Insurer.....	35
Section 7.12	[2021 Insurer as Owner.....	35
Section 7.13	[Special Provision for Insurer Default	35

ARTICLE VIII
THE TRUSTEE

Section 8.01	Employment of the Trustee.....	36
Section 8.02	Duties, Removal and Resignation of the Trustee.....	36
Section 8.03	Compensation of the Trustee	37
Section 8.04	Protection of the Trustee	37

ARTICLE IX
MODIFICATION OR AMENDMENTS

Section 9.01	Modifications and Amendments Permitted.....	39
Section 9.02	Effect of Supplemental Indenture	41
Section 9.03	Endorsement of Bonds; Preparation of New Bonds	41
Section 9.04	Amendment of Particular Bonds.....	41

TABLE OF CONTENTS
(continued)

Page

ARTICLE X
DEFEASANCE

Section 10.01	Discharge of Indenture.....	41
Section 10.02	Bonds Deemed To Have Been Paid.....	42
Section 10.03	Payment of Bonds After Discharge of Indenture.....	43

ARTICLE XI
MISCELLANEOUS

Section 11.01	Benefits of Indenture Limited to Parties	43
Section 11.02	Successor Deemed Included in all References to Predecessor	43
Section 11.03	Execution of Documents by Owners	43
Section 11.04	Waiver of Personal Liability	44
Section 11.05	Destruction of Bonds	44
Section 11.06	Funds and Accounts.....	44
Section 11.07	Article and Section Headings Gender and References	44
Section 11.08	Partial Invalidity.....	44
Section 11.09	Disqualified Bonds.....	45
Section 11.10	Money Held for Particular Bonds	45
Section 11.11	Payment on Non-Business Days	45
Section 11.12	California Law	45
Section 11.13	Notices	46
Section 11.14	Notice to Rating Agencies	46
Section 11.15	Execution in Counterparts.....	46
Section 11.16	Payment Procedure Under the Policy	46
Section 11.17	[2021 Insurer as Third Party Beneficiary.....	46
Signatures		S-1
EXHIBIT A	FORM OF SERIES 2021A BOND.....	A-1
EXHIBIT B	FORM OF PROJECT FUND REQUISITION	B-1

INDENTURE

THIS INDENTURE (this “Indenture”), executed and entered into as of November 1, 2021, is by and among the FONTANA PUBLIC FACILITIES FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under the laws of the State of California (the “Authority”), the CITY OF FONTANA, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”) and U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, as Trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the City previously financed a portion of the costs of the acquisition, construction and installation of certain public capital improvements in the City including Fire Station No. 71, as more fully described in the proceedings for the issuance of the 2010 Bonds (defined below) (the “2010 Project”);

WHEREAS, in order to accomplish such financing, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the 2010 Project through issuance by the Fontana Public Financing Authority of its 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “2010 Bonds”), payable from certain lease payments to be made by the City under a lease agreement;

WHEREAS, the City and Authority desire to finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Fire Protection District Training Facility located on the site of future Fire Station No. 80 (collectively, the “2021 Project”; and, together with the 2010 Project, the “Project”);

WHEREAS, the City and Authority desire to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the “Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A” (the “Series 2021A Bonds”) for the purpose of refinancing the 2010 Project, the 2010 Bonds and the City’s related lease payments, and financing the 2021 Project;

WHEREAS, in order to facilitate the issuance of the Series 2021A Bonds, the City will lease certain real property and the improvements located thereon (the “Property”) to the Authority pursuant to a Ground Lease, dated as of the date hereof, and the City will sublease the Property back from the Authority pursuant to a Lease Agreement, dated as of the date hereof (the “Lease Agreement”);

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project through the issuance by the Authority of the Series 2021A Bonds payable from the base rental payments (the “Base Rental Payments”) to be made by the City under the Lease Agreement;

WHEREAS, all rights to receive the Base Rental Payments have been assigned without recourse by the Authority to the Trustee pursuant to an Assignment Agreement, dated as of the date hereof;

WHEREAS, the Series 2021A Bonds will be payable equally and ratably from the Base Rental Payments;

WHEREAS, the Authority and the City desire to provide for the issuance of additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2021A Bonds (the Series 2021A Bonds and any such Additional Bonds being collectively referred to as the “Bonds”);

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 secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority and the City have authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority and the City have 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 the Indenture has been in all respects duly authorized;

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

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Lease Agreement.

“**Additional Bonds**” means Bonds other than the Series 2021A Bonds issued hereunder in accordance with the provisions of Sections 3.06 and 3.07 hereof.

“**Act**” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

“**Additional Rental Payments**” means all amounts payable by the City as Additional Rental Payments pursuant to Section 3.02 of the Lease Agreement.

“**Assignment Agreement**” means the Assignment Agreement, dated as of the date hereof, by and between the Authority and the Trustee, as amended and supplemented from time to time.

“**Authority**” means the Fontana Public Facilities Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

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

“**Authorized City Representative**” means the Mayor of the City, the Mayor Pro Tem of the City, the City Manager of the City, the Management Services Director or the Finance Director of the City or the City Clerk, or any other person authorized by the City Council of the City to act on behalf of the City under or with respect to this Indenture.

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

“**Base Rental Payment Fund**” means the fund by that name established in accordance with Section 5.02 hereof.

“**Base Rental Payments**” means all amounts payable to the Authority by the City as Base Rental Payments pursuant to Section 3.01 of the Lease Agreement.

“**Beneficial Owner**” means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant on the records of such Participant or such person’s subgee.

“**Bonds**” means the Series 2021A Bonds and any Additional Bonds issued hereunder.

“**Book-Entry Bonds**” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

“**Business Day**” means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“**Cede & Co.**” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“**City**” means the City of Fontana, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“**Closing Date**” means _____, 2021.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Continuing Disclosure Certificate**” means the Continuing Disclosure Certificate, dated as of the date hereof, executed by the City, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Costs of Issuance” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and Escrow Agent and its counsel, the initial fees and expenses of any bond insurer or reserve fund credit facility provider, and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

“Costs of Issuance Fund” means the fund by that name established in accordance with Section 3.04 hereof.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to Section 2.10 hereof.

“Escrow Agent” means U.S. Bank National Association, as escrow agent pursuant to the Escrow Agreement.

“Escrow Fund” means the fund established and held by the Escrow Agent pursuant to the Escrow Agreement.

“Escrow Agreement” means the escrow agreement dated as of November 1, 2021 by and between the Fontana Public Financing Authority and the Escrow Agent relating to the defeasance of the 2010 Bonds.

“Federal Securities” means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“Ground Lease” means the Ground Lease, dated as of the date hereof, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

“Indenture” means this Indenture, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“Information Services” means Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (EMMA) website; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Insured Series 2021A Bonds” means the Series 2021A Bonds maturing on and after November 1, 20__.

“**Interest Fund**” means the fund by that name established in accordance with Section 5.02 hereof.

“**Interest Payment Date**” means May 1 and November 1 of each year, commencing on May 1, 2022.

[“**Late Payment Rate**” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the 2021 Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the 2021 Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.]

“**Lease Agreement**” means the Lease Agreement, dated as of the date hereof, by and between the City and the Authority, as originally executed and as it may be from time to time amended in accordance with the provisions thereof.

“**Moody’s**” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“**Office of the Trustee**” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency shall be conducted as specified to the Authority and the City by the Trustee in writing.

“**Opinion of Counsel**” means a written opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, or other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City and which written opinion is satisfactory to the Trustee.

“**Outstanding**,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09 hereof) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.01 hereof; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“**Owner**” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“**Participant**” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

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

“**Permitted Investments**” [TO BE REVIEWED] means any of the following to the extent then permitted by the general laws of the State of California (provided that the Trustee shall be entitled to rely upon any investment directions from the City and Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

(1) (a) Direct obligations (other than an obligation subject to—Variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
 - All direct or fully guaranteed obligations
- Farmers Home Administration
 - Certificates of beneficial ownership
- General Services Administration
 - Participation certificates
- U.S. Maritime Administration
 - Guaranteed Title XI financing
- Small Business Administration
 - Guaranteed participation certificates
 - Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
 - GNMA-guaranteed mortgage-backed securities
 - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
 - Local authority bonds
- Washington Metropolitan Area Transit Authority
 - Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

-Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior debt obligations

-Farm Credit Banks (formerly: Federal Land Banks, Federal intermediate Credit Banks and Banks for Cooperatives)

Consolidated systemwide bonds and notes

-Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

-Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)

-Student Loan Marketing Association (SLMA)

Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

-Financing Corporation (FICO)

Debt obligations

-Resolution Funding Corporation (REFCORP)

Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 180 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-1+" or better by S&P and "P-1" or better by Moody's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's at the time of purchase.

(7) Money market funds rated "AAm" or "AAm-G" or better by S&P and "Aa2" or better by Moody's, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment 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.

(8) Repurchase agreements:

(a) With any domestic bank the long term debt of which is rated “AA” or better by S&P and “Aa” by Moody’s (so long as an opinion is rendered that the repurchase agreement is a “repurchase agreement” as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) and that such bank is subject to FIRREA), or any foreign bank rated at least “AA” by S&P and “Aaa” by Moody’s or “AA” by S & P and at least “Aa2” by Moody’s; provided the term of such repurchase agreement is for one year or less.

(b) With (i) any broker-dealer with “retail customers” which has, or the parent company of which has, long-term debt rated at least “AA” by S&P and “Aa2” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); provided that:

A. The market value of the collateral is maintained for United States Treasury Obligations, at the levels shown below under “Collateral Levels for United States Treasury Obligations”;

B. Failure to maintain the requisite collateral percentage will require the City or the Trustee to liquidate the collateral;

C. The Trustee, the City or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

D. The repurchase agreement states, and an opinion of counsel is rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

E. The transferor represents that the collateral is free and clear of any third-party liens or claims;

F. An opinion is rendered that the repurchase agreement is a “repurchase agreement” as defined in the United States Bankruptcy Code;

G. There is or will be a written agreement governing every repurchase transaction;

H. The City represents that it has no knowledge of any fraud involved in the repurchase transaction; and

I. The City and the Trustee receive an opinion of counsel (which opinion shall be addressed to the City and the Trustee) that such repurchase agreement is legal, valid and binding and enforceable against the provider in accordance with its terms.

(9) State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A2” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated “A-1+” by S&P and “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated “AA” or better by S&P and “Aa2” or better by Moody’s.

(10) Local Agency Investment Fund.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability of the guarantor, is rated at least “AA” by S&P and “Aa2” by Moody’s; provided, that prior written notice of an investment in the investment agreement is provided to S&P and, provided, further, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time for purposes identified in this Indenture other than acquisition of alternative investment property upon not more than seven days prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Trustee or the City to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

(e) the Trustee and the City receive the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(f) the investment agreement shall provide that if during its term (A) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "AA" or "Aa2", respectively, or, with respect to a foreign bank, below the ratings of such provider at the delivery date of the investment agreement, the provider must, at the direction of the City or the Trustee (acting at the direction of the City) within 10 days of receipt of such direction, either (1) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee, the City or a Holder of the Collateral, United States Treasury Obligations which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (2) repay the principal of and accrued but unpaid interest on the investment (the choice of (1) or (2) above shall be that of the City or Trustee (acting at the direction of the City), as appropriate), and (B) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "A" or "A2," or, with respect to a foreign bank, below "AA" or "Aa2" by S&P or Moody's, as appropriate, the provider must, at the direction of the City or the Trustee (acting at the direction of the City), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee;

(g) the investment agreement shall state, and an opinion of counsel shall be rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee is in possession); and

(h) the investment agreement must provide that if during its term (A) the provider shall default in its payment obligations, the provider's obligation under the investment agreement shall, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate.

(12) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; and

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

Collateral Levels For United States Treasury Obligations

<i>Frequency of Valuation</i>	Remaining Maturity				
	<i>1 year or less</i>	<i>5 years or less</i>	<i>10 years or less</i>	<i>15 years or less</i>	<i>30 years or less</i>
Daily	102	105	106	108	114
Weekly	103	111	112	114	120
Monthly	105	117	120	125	133
Quarterly	107	120	130	133	140

Further Requirements: (a) On each valuation date, the City, or the custodian who shall confirm to the City and the Trustee, shall value the market value (exclusive of accrued interest) of the collateral, which market value will be an amount equal to the requisite collateral percentage times the principal amount of the investment (including unpaid accrued interest thereon) that is being secured, (b) in the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: one Business Day for daily valuations, two Business Days for weekly and monthly valuations, and one month for quarterly valuations (the use of different restoration periods affect the requisite collateral percentage), (c) the City or the Trustee (acting at the direction of the City) shall terminate the repurchase agreement or the investment agreement, as the case may be, upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the collateral, liquidate the collateral.

The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments.

“**Person**” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Policy**” means the Municipal Bond Insurance Policy issued by the 2021 Insurer that guarantees the scheduled payment of principal of and interest on the Insured Series 2021A Bonds when due.

“**Project Fund**” means the fund by that name established in accordance with Section 3.05 hereof.

“**Principal Fund**” means the account by that name established in accordance with Section 5.02 hereof.

“**Rebate Fund**” means the fund by that name established in accordance with Section 5.05 hereof.

“**Rebate Requirement**” has the meaning ascribed thereto in the Tax Certificate.

“**Record Date**” means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“**Redemption Fund**” means the fund by that name established in accordance with Section 5.02 hereof.

“**Redemption Price**” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant hereto.

“**Registration Books**” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.05 hereof.

“**Rental Payments**” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“**Rental Period**” means the period from the Closing Date through October 31, 2022 and, thereafter, the twelve-month period commencing on November 1 of each year during the term of the Lease Agreement.

“**Representation Letter**” means the Letter of Representations from the Authority to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the Authority makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

“**S&P**” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“**Securities Depositories**” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“**Security Documents**” means this Indenture, the Lease Agreement and the Assignment Agreement.

“**Series**” means the Series 2021A Bonds executed, authenticated and delivered on the Closing Date and identified pursuant to this Indenture and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“**Series 2021A Bonds**” means the Fontana Public Facilities Financing Authority Lease Revenue Bonds Series 2021A issued hereunder.

“**Supplemental Indenture**” means any supplemental indenture amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“**Tax Certificate**” means the Tax Certificate executed by the Authority and the City at the time of issuance of the Series 2021A Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“**Trustee**” means U.S. Bank National Association, 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.

“**2010 Bonds**” has the meaning ascribed thereto in the recitals hereof.

“**2021 Insurer**” means _____, or any successor thereto.

“**Written Certificate of the Authority**” and “**Written Request of the Authority**” mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized 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, a written certificate or written request signed in the name of the City by an Authorized 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 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 City, 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 or the City 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

THE BONDS

Section 2.01 Authorization of Bonds. The Authority hereby authorizes the issuance of the Bonds under and subject to the terms of this Indenture and applicable laws of the State of California for the purpose of financing and refinancing the Project. The Bonds may consist of one or more Series of Bonds of varying denominations, dates, maturities, interest rates and other provisions, subject to the provisions and conditions contained herein.

Section 2.02 Terms of Series 2021A Bonds.

(a) The Series 2021A Bonds shall be designated the “Fontana Public Facilities Financing Authority Lease Revenue Bonds Series 2021A.” Each Series of Additional Bonds shall bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series, of Bonds.

(b) The Series 2021A Bonds shall be issued in fully registered form without coupons in Authorized Denominations, so long as no Series 2021A Bond shall have more than one maturity date. The Series 2021A Bonds shall be dated as of the Closing Date, shall be issued in the aggregate principal amount of \$_____, shall mature on November 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum as follows:

<i>Maturity Date (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2022	\$ _____	_____ %
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		
2050		
2051		
2052		

(c) Interest on the Series 2021A Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2021A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2021A Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the dated date thereof, or (iii) interest on any Series 2021A Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2021A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2021A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

(d) The principal and premium, if any, of the Series 2021A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

(e) The Series 2021A Bonds shall be subject to redemption as provided in Article IV.

Section 2.03 Form of Series 2021A Bonds. The Series 2021A Bonds shall be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.04 Transfer and Exchange 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 surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee shall require the payment by the Bond 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 obligated to make any transfer or exchange of Bonds of a Series pursuant to this Section during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

Section 2.05 Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the City; 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 such records, the ownership of the Bonds as hereinbefore provided.

Section 2.06 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Authority with the facsimile signature of an Authorized Officer of the Authority attested by the manual or facsimile signature of the Secretary of the Authority. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of such officers of the Authority who shall have signed or attested any of the Bonds shall cease to be such officers of the Authority before the Bonds so signed or attested 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 those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such Person shall not have been such officer of the Authority.

Section 2.07 Authentication of Bonds. Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.08 Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Authority, shall be in fully registered form without coupons 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 authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series it will execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series, may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under this Indenture as definitive Bonds of such Series authenticated and delivered hereunder.

Section 2.09 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 and Series 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 it and delivered to, or in accordance with the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and Series in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of this Section in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds of such Series secured by this Indenture.

Section 2.10 Book-Entry Bonds.

(a) Prior to the issuance of a Series of Bonds, the Authority may provide that such Series of Bonds shall initially be issued as Book-Entry Bonds and, in such event, the Bonds of such Series for each maturity shall be in the form of a separate single fully registered Bond (which may be typewritten). The Series 2021A Bonds shall initially be issued as Book-Entry Bonds.

Except as provided in subsection (c) of this Section, the registered Owner of all of the Book-Entry Bonds shall be Cede & Co., as nominee of DTC. Notwithstanding anything to the contrary

contained in this Indenture, payment of interest with respect to any Book-Entry Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date at the address indicated on the Record Date for Cede & Co. in the Registration Books or as otherwise provided in the Representation Letter.

(b) The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive Owner of Book-Entry Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to Book-Entry Bonds, selecting Book-Entry Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of Book-Entry Bonds under this Indenture, registering the transfer of Book-Entry Bonds, obtaining any consent or other action to be taken by Owners of Book-Entry Bonds and for all other purposes whatsoever, and neither the Trustee nor the Authority shall be affected by any notice to the contrary. Neither the Trustee nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in Book-Entry Bonds under or through DTC or any Participant, or any other person which is not shown on the Registration Books as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to Book-Entry Bonds, any notice which is permitted or required to be given to Owners of Book-Entry Bonds under this Indenture, the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of Book-Entry Bonds, or any consent given or other action taken by DTC as Owner of Book-Entry Bonds. The Trustee shall pay all principal, premium, if any and interest with respect to Book-Entry Bonds, only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal, premium, if any, and interest with respect to the Book-Entry Bonds to the extent of the sum or sums so paid. Except under the conditions of subsection (c) of this Section, no person other than DTC shall receive an executed Book-Entry Bond for each separate stated maturity. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the term "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event (i) DTC, including any successor as securities depository for a Series of Bonds, determines not to continue to act as securities depository for such Series of Bonds, or (ii) the Authority determines that the incumbent securities depository shall no longer so act, and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the book-entry system with the incumbent securities depository for such Series of Bonds. If the Authority determines to replace the incumbent securities depository for such Series of Bonds with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate fully registered Bond of such Series for the aggregate outstanding principal amount of Bonds of such Series of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Authority, the Trustee and the successor securities depository for the Bonds of such Series as are not inconsistent with the terms of this Indenture. If the Authority fails to identify another qualified successor securities depository for such Series of Bonds to replace the incumbent securities depository, then the Bonds of such Series shall no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for such Series of Bonds, or its nominee, shall designate. In such event the Authority shall execute, and deliver to the Trustee, a sufficient quantity of Bonds of such Series to carry out the transfers and exchanges provided in Sections 2.04, 2.08 and 2.09 hereof. All such Bonds of such Series shall be in fully registered form in Authorized Denominations.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest with respect to such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Owners of Book-Entry Bonds pursuant to this Indenture by the Authority, the City or the Trustee with respect to any consent or other action to be taken by Owners, the Authority, the City or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01 Issuance of Series 2021A Bonds. The Authority may, at any time, execute the Series 2021A Bonds for issuance hereunder and deliver the same to the Trustee. The Trustee shall authenticate the Series 2021A Bonds and deliver the Series 2021A Bonds to the original purchaser thereof upon receipt of a Written Request of the Authority and upon receipt of the purchase price therefor.

Section 3.02 Application of Proceeds of the Series 2021A Bonds. On the Closing Date, the net proceeds of the sale of the Series 2021A Bonds received by the Trustee, \$_____ (less the amount of \$_____ to be paid directly to the 2021 Insurer as payment for the Policy), shall be deposited by the Trustee as follows:

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

(b) The Trustee shall deposit the amount of \$_____ in the Project Fund to be applied as provided in Section 3.05 hereof.

(c) The Trustee shall transfer \$_____ to the Escrow Agent for deposit into the Escrow Fund.

Section 3.03 [Reserved].

Section 3.04 Costs of Issuance Fund. The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, there shall be deposited in the Costs of Issuance Fund the amount specified in Section 3.02 hereof. There shall be additionally deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance

Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Request of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. One hundred eighty (180) days following the Closing Date, or earlier upon the Written Request of the Authority, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Fund.

Section 3.05 Project Fund.

The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund or the accounts therein shall be disbursed by the Trustee on behalf of the City as specified in a Written Request of the City in the form attached hereto as Exhibit B. Each Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date on which the City determines that amounts in the Project Fund are no longer necessary for payment of the cost of the 2021 Project, the City shall submit a Written Request to the Trustee to transfer any remaining balance in the Project Fund not needed for Project Fund purposes, at the City’s sole discretion, to the City for use on eligible capital facilities, and the Project Fund shall be closed. Investment earnings on amounts on deposit in the Project Fund shall remain on deposit in the Project Fund for application in accordance with this Section.

Section 3.06 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 Series 2021A Bonds) payable from Base Rental Payments as provided herein on a parity with all other Bonds theretofore issued hereunder, but only subject to the following conditions, which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant hereto and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) The application of the proceeds of the sale of such Additional Bonds;

(ii) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(iii) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on November 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 November 1, (ii) the Additional Bonds shall be payable as to interest semiannually on May 1 and November 1 of each year, except that the first installment of interest may be payable on either May 1 or November 1 and shall be for a period of not longer than twelve months and the interest shall be payable thereafter semiannually on May 1 and November 1, (iii) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) 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;

(iv) The redemption premiums and terms, if any, for such Additional Bonds;

(v) The form of such Additional Bonds; and

(vi) If a reserve fund is to be established and maintained for such Series of Additional Bonds, the applicable reserve requirement and the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in such reserve fund to be held as separate security for such Series of Additional Bonds;

(vii) Designate accounts in the Interest Fund, the Principal Fund, the Redemption Fund, the Rebate Fund and the reserve fund (if any) to be applicable to such Additional Bonds; and

(viii) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof, including the establishment of a capitalized interest fund for the Additional Bonds, if appropriate;

(b) The Authority shall be in compliance with all agreements, conditions, covenants and terms contained herein, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(c) The City shall be in compliance with all agreements, conditions, covenants and terms contained herein, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(d) The Ground Lease shall have been amended, to the extent necessary, and the Lease Agreement shall have been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the timely payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment shall be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period shall be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition shall be made by a Written Certificate of the City).

Nothing contained herein shall limit the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued hereunder will be Outstanding.

Section 3.07 Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds shall be executed by the Authority for issuance hereunder and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Lease Agreement required by Section 3.06 hereof and the amendment to the Ground Lease, if any, required by Section 3.06 hereof, together with satisfactory evidence that such amendment to the Lease Agreement and such amendment to the Ground Lease, if any, have been (or will be immediately upon issuance of such Additional Bonds) duly recorded;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Indenture (including all Supplemental Indentures), the Lease Agreement (including the amendment thereto required by Section 3.06 hereof) and the Ground Lease (including any amendment thereto required by Section 3.06 hereof) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided herein and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on any tax-exempt Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) a Written Certificate of the Authority that the requirements of Section 3.06 hereof have been met;

(e) a Written Certificate of the City that the requirements of Section 3.06 hereof and Sections 6.01 and 6.02 of the Lease Agreement have been met, and a Written Certificate of the City directing the application of the proceeds of such Additional Bonds; and

(f) Such further documents as are required by the provisions hereof or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Section 3.08 Additional Bonds. So long as any of the Bonds remain Outstanding, the Authority shall not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to Sections 3.06 and 3.07 hereof.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01 Redemption of Series 2021A Bonds.

(a) Extraordinary Redemption. The Series 2021A Bonds shall be subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the

Trustee in the Redemption Fund pursuant to Sections 5.03 and 5.04 hereof, at a Redemption Price equal to the principal amount of the Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

(b) Optional Redemption. The Series 2021A Bonds maturing on or after November 1, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after November 1, 20__, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to subsection (a) of Section 8.02 of the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

(c) Sinking Fund Redemption. The Series 2021A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Sinking Fund Redemption Date (November 1)</i>	<i>Principal Amount To Be Redeemed</i>
(maturity)	\$ _____

The Series 2021A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Sinking Fund Redemption Date (November 1)</i>	<i>Principal Amount To Be Redeemed</i>
(maturity)	\$ _____

In the event of a partial redemption pursuant to Section 4.01(a) or (b), the City shall provide the Trustee with a revised mandatory sinking fund schedule giving effect to the redemption so completed.

Section 4.02 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 at 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. 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 Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the 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 date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Such notice of redemption may also state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Section 4.03 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 (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, (b) with respect to any redemption pursuant to Section 4.01(a) hereof and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 4.04 Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, 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 in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Section 4.05 Effect of Notice of Redemption. Notice having been mailed as aforesaid, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed.

ARTICLE V

SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS

Section 5.01 Pledge; Special Obligations. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are hereby pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of this Indenture and the Act. Said pledge shall constitute a first lien on such assets.

All obligations of the Authority under this Indenture shall be special obligations of the Authority, payable solely from Rental Payments and the other assets pledged therefor hereunder; provided, however, that all obligations of the Authority under the Bonds shall be special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Section 5.02 Flow of Funds.

(a) The Trustee shall establish and maintain separate funds designated the “Base Rental Payment Fund,” the “Interest Fund,” the “Principal Fund” and the “Redemption Fund.” If Additional Bonds are issued, the Trustee shall establish subaccounts within each fund for each Series of Additional Bonds.

All Base Rental Payments shall be paid directly by the City to the Trustee, and if received by the Authority at any time shall be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee shall be deposited by the Trustee in the Base Rental Payment Fund.

(b) The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner hereinafter provided, to the following respective funds:

(1) Interest Fund. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date. Moneys in the Interest Fund shall be used by the Trustee to pay interest due on the Bonds on each Interest Payment Date.

(2) Principal Fund. On the Business Day immediately preceding each November 1, commencing November 1, 2022, the Trustee shall transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such November 1 either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund shall be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

(3) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to Section 5.03 or Section 5.04 hereof. Moneys in the Redemption Fund shall be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Series 2021A Bonds redeemed pursuant to the provisions of subsections (a) and (b) of Section 4.01 hereof and Additional Bonds redeemed pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Section 5.03 Application of Net Insurance Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of this Section, the City 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 Property or the affected portion thereof in accordance with the provisions hereof.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the City, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

In the event of any damage to or destruction of the Property caused by one of the perils covered by the insurance required by Section 6.01(c) of the Lease Agreement which would result in an abatement of rental payments or any portion thereof pursuant to Section 3.06 thereof, then the City shall apply the Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), together with other legally available funds that the City elects to contribute, to the repair, reconstruction or replacement of the damaged or destroyed portions of the Property; provided, however, that the City shall not be required to repair or replace any portion of the Property pursuant to this Section 5.03 if such Net Insurance Proceeds, together with any other amounts held under this Indenture and any other legally available funds made available by the City at its election, are sufficient to prepay (i) all of the Outstanding Bonds, or (ii) a portion of the Outstanding Bonds such that the resulting Base Rental Payments under Section 4.01(a) in any Rental Period following such partial prepayment are sufficient to pay in such Rental Period the principal of and interest on all Bonds to remain Outstanding immediately after such partial redemption. If the City is not required to replace or repair the Property, or the affected portion thereof, or to use such amounts to redeem Bonds, in each case as set forth in this Section 5.03, then such proceeds (and rental interruption insurance proceeds

not applied pursuant to the next paragraph) shall, if there is first delivered to the Trustee a Written Certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

Proceeds of rental interruption insurance shall be applied to the payment of Base Rental Payments to the extent of any abatement thereof pursuant to the Lease Agreement, and otherwise as directed by the City.

The proceeds of any award in eminent domain received in respect to the Property shall be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to subsection (a) of Section 4.01 hereof and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Section 5.04 Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease Agreement, such proceeds shall be remitted to the City and used for any lawful purpose thereof; or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Rental Payments payable by the City under the Lease Agreement, then the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in subsection (a) of Section 4.01 hereof and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Section 5.05 Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the Bonds designated the “Rebate Fund” when required in accordance herewith. Absent an Opinion of Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Bonds will not be adversely affected, the Authority shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Series 2021A Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (1) shall be deemed conclusively to have complied with the provisions thereof if it follows all Written Requests of the Authority or Written Requests of the City; (2) shall have no liability or responsibility to enforce compliance by the Authority or the City with the terms of the Tax Certificate and shall not be deemed to have knowledge of the terms thereof; (3) may rely conclusively on the

Authority's or the City's calculations and determinations and certifications relating to rebate matters; and (4) shall have no responsibility to independently make any calculations or determinations or to review the Authority's or the City's calculations or determinations thereunder.

(1) Annual Computation. Within 55 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), the Authority shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Authority shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(2) Annual Transfer. Within 55 days of the end of each fifth Bond Year, upon the Written Request of the Authority or Written Request of the City, an amount shall be deposited to the Rebate Fund by the Trustee from any Rental Payments legally available for such purpose (as specified by the Authority or the City in the aforesaid Written Request), if and to the extent required, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the Authority or Written Request of the City, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Base Rental Payment Fund.

(3) Payment to the Treasury. The Trustee shall pay, as directed by Written Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund:

(i) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(ii) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the Authority), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Series 2021A Bonds and the payments described in subsection (a) above being made may be withdrawn by the Authority and utilized in any manner by the Authority.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Series 2021A Bonds.

Section 5.06 Investment of Moneys. Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Indenture. Absent timely written direction from the Authority, the Trustee shall hold any funds held by it uninvested.

Subject to the provisions of Section 5.06 hereof, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture shall be retained in such fund or account.

Permitted Investments acquired as an investment of moneys in any fund established under this Indenture shall be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued by the Trustee at the fair market value thereof, such valuation to be performed not less frequently than semiannually on or before each May 15 and November 15. In determining fair market value, the Trustee may use and rely conclusively on any generally recognized securities pricing service available to it (including brokers and dealers in securities).

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established hereunder.

The Trustee may make any investments hereunder through the bond or investment department or trust investment department of the entity acting as Trustee hereunder, or those of such entity's parent or any affiliate, and such entity, or its parent or affiliate, as applicable, shall be entitled to its normal, customary and reasonable compensation for such services.

The entity acting as Trustee hereunder, or any of its affiliates, may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder and such entity, or its affiliate, as applicable, shall be entitled to its normal, customary and reasonable compensation for such services.

The Authority and the City acknowledge that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the City the right to receive

brokerage confirmations of security transactions as they occur, at no additional cost, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law.

ARTICLE VI

COVENANTS

Section 6.01 Compliance with Agreements. The Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof, and the Authority and the City will not suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

Section 6.02 Compliance with Ground Lease and Lease Agreement. The Authority and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Section 6.03 Observance of Laws and Regulations. The Authority, the City and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 6.04 Other Liens. The City will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the City ten days' written notice to comply therewith and failure of the City to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the City shall create or suffer to be created any pledge of or lien the amounts on deposit in any of the funds or accounts created hereunder, other than the pledge and lien hereof.

The Authority, the City and the Trustee shall not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement.

Section 6.05 Prosecution and Defense of Suits. The City will promptly, upon request of the Trustee (which request the Trustee is not required to make), take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees and expenses, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 6.06 Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions.

Section 6.07 Recordation and Filing. The City will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Section 6.08 Tax Covenants. Notwithstanding any other provision of the Indenture, absent an Opinion of Counsel that the exclusion from gross income of the interest on the Series 2021A Bonds will not be adversely affected for federal income tax purposes, the City and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the Series 2021A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City and the Authority will not take any action or refrain from taking any action or make any use of the proceeds of the Series 2021A Bonds or of any other moneys or property which would cause the Series 2021A Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The City and the Authority will make no use of the proceeds of the Series 2021A Bonds or of any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action which would cause the Series 2021A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The City and the Authority will make no use of the proceeds of the Series 2021A Bonds and will not take or omit to take any action that would cause the Series 2021A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The City and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the Series 2021A Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The City and the Authority will make no use of the proceeds of the Series 2021A Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the Series 2021A Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to

maintain the exclusion from gross income of interest on the Series 2021A Bonds for federal income tax purposes; and

(f) Miscellaneous. The City and the Authority will not take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the City and the Authority from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the Series 2021A Bonds, the interest with respect to which has been determined by an Opinion of Counsel to be subject to federal income taxation.

Section 6.09 Continuing Disclosure. The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an event of default hereunder; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, shall) or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 6.10 Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it hereby or by the Assignment Agreement, the Ground Lease or the Lease Agreement.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01 Action on Default. If an event of default (within the meaning of Article VII of the Lease Agreement) shall happen, then such event of default shall constitute an event of default hereunder. The Trustee shall give notice, as assignee of the Authority, of an event of default under the Lease Agreement to the City and the 2021 Insurer. In each and every case during the continuance of an event of default, the Trustee may and, at the direction of the 2021 Insurer, and upon being indemnified to its reasonable satisfaction therefor, shall, upon notice in writing to the 2021 Insurer, the City and the Authority, exercise any of the remedies granted to the Authority under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee, the 2021 Insurer or the Owners by this Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.02 hereof.

Section 7.02 Other Remedies of the Trustee. Subject to the provisions of Section 7.01 hereof, 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 the City or any member, director, officer or employee thereof, and to compel the Authority or the City or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

(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 any event of default hereunder to require the Authority and the City to account as the trustee of an express trust.

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 7.03 Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee 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 of duty or contract. No default or event of default may be waived without the 2021 Insurer's express written consent. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this Article may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Authority and the City shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.04 Remedies Not Exclusive. Subject to the provisions of Section 7.01 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.05 No Liability by the Authority to the Owners. Except as expressly provided herein, the Authority shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Lease Agreement or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 7.06 No Liability by the City to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or herein, the City shall not have any obligation or liability to the Owners with respect to the Trust Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 7.07 No Liability of the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the Authority or the City of the other agreements and covenants required to be performed by them contained in the Lease Agreement, the Ground Lease or herein.

Section 7.08 Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Property after a default by the City pursuant to Article VII of the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under Article VII of the Lease Agreement, shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held hereunder (except funds in the Rebate Fund):

- (a) to the payment of all amounts due the Trustee under Article VIII hereof;
- (b) 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
- (c) 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 7.09 Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Section 7.10 Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or Trustee, or for any other remedy hereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing event of default, (b) the Owners of not less than

25% of the aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder, (c) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Owner, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Owners

Section 7.11 Consent of 2021 Insurer. Any reorganization or liquidation plan with respect to the City or the Authority must be acceptable to the 2021 Insurer. In the event of any reorganization or liquidation of the City or the Authority, the 2021 Insurer shall have the right to vote on behalf of all holders of the Insured Series 2021A Bonds absent a continuing failure by the 2021 Insurer to make a payment under the Policy.

Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the 2021 Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2021A Bonds or the Trustee for the benefit of the holders of the Insured Series 2021A Bonds under this Indenture.

Section 7.12 [2021 Insurer as Owner. Upon the occurrence and continuance of a default or an event of default, the 2021 Insurer shall be deemed to be the sole owner of the Insured Series 2021A Bonds for all purposes under the Security Documents, including, without limitation, for purposes of exercising remedies and approving amendments.]

Section 7.13 [Special Provision for Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything herein to the contrary, (1) if at any time prior to or following an Insurer Default, the 2021 Insurer has made payment under the Policy, to the extent of such payment the 2021 Insurer shall be treated like any other holder of the Insured Series 2021A Bonds for all purposes, including giving of consents, and (2) if the 2021 Insurer has not made any payment under the Policy, the 2021 Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the 2021 Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, “Insurer Default” means: (A) the 2021 Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the 2021 Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the 2021 Insurer (including without limitation under the New York Insurance Law).]

ARTICLE VIII

THE TRUSTEE

Section 8.01 Employment of the Trustee. The Authority hereby appoints and employs the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained herein, all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering this Indenture, the Trustee accepts the appointment and employment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee hereby covenants and agrees that it will not encumber the Property.

Section 8.02 Duties, Removal and Resignation of the Trustee. The Authority may, by an instrument in writing, and upon the prior written consent of the 2021 Insurer, remove the Trustee initially a party hereto and any successor thereto unless an event of default shall have occurred and then be continuing, and, upon the prior written consent of the 2021 Insurer, shall remove the Trustee initially a party hereto and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be: (i) a national banking association in good standing authorized to exercise trust powers or having the powers of a trust company and duly authorized to exercise trust powers within the State having a combined capital and surplus of at least \$250,000,000, and subject to supervision or examination by federal or state authority, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System having at least \$1,000,000,000 of assets, or (iii) an entity otherwise approved by the 2021 Insurer in writing. If such entity publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority, the City and the 2021 Insurer and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee acceptable to the 2021 Insurer by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of this Section, ipso facto, shall be and become successor trustee under this Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.03 Compensation of the Trustee. The City shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered hereunder and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include “overhead expenses” except as such expenses are included as a component of the Trustee’s stated annual fees) hereunder, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations hereunder. The Trustee may take whatever legal actions are lawfully available to it directly against the Authority or the City.

The City shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder, under the Lease Agreement, or in connection with any document or transaction contemplated hereunder or thereunder, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its misconduct. The duty of the City to indemnify the Trustee shall survive the termination and discharge of this Indenture and the earlier removal or resignation of the Trustee.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder.

Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate 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 8.04 Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee 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 of the Bonds pursuant to this Indenture, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Bonds or the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or for statements made in any preliminary or final official statement relating to the Bonds, or of the title to the Property.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the City or a Written Certificate of the Authority, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the City, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the City as freely as if it were not the Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform any rights and obligations required of it hereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations hereunder, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall in a commercially reasonable manner pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct, negligence or breach of an obligation hereunder.

The Trustee shall not be deemed to have knowledge of an event of default unless it has actual knowledge thereof.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the City is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to

take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

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

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

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds. The Trustee shall not be accountable for the use or application by the Borrower of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent.

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

In acting or omitting to act pursuant to the Lease Agreement or Ground Lease, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Indenture and the Lease Agreement, including, but not limited to, this Article VIII.

ARTICLE IX

MODIFICATION OR AMENDMENTS

Section 9.01 Modifications and Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority, the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into with the written consent of the 2021 Insurer and the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. For purposes of this Section,

the 2021 Insurer shall be treated as the Owner of any Insured Series 2021 Bonds. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the 2021 Insurer and the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture or deprive the Owners of the Bonds of the lien created by this Indenture on such Base Rental Payments and other assets (except as expressly provided in this Indenture), without the consent of the 2021 Insurer and the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the 2021 Insurer or the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners or the 2021 Insurer for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the City in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority or the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Indenture;

(3) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of Article III hereof;

(4) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(5) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(6) in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners hereunder, in the opinion of Bond Counsel filed with the Authority, the City and the Trustee.

(c) Promptly after the execution by the Authority, the City and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses

shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(d) No Supplemental Indenture shall modify any of the rights or obligations of the Trustee without the 2021 Insurer's and the Trustee's prior written consent. No Supplemental Indenture shall modify any of the rights or obligations of the 2021 Insurer without the 2021 Insurer's prior written consent.

Section 9.02 Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the City, the Trustee and all Owners of Bonds Outstanding 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 such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Section 9.04 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Indenture. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Base Rental Payments and the other assets as provided herein, and all agreements, covenants and other obligations of the Authority and the City to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority, the City and the 2021 Insurer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all money or securities held by it pursuant hereto which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority and the City shall have kept, performed and observed all of the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Authority and the City hereunder shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the compensation and indemnity of the Trustee shall remain in effect and shall be binding upon the Trustee, the City and the Authority.

Section 10.02 Bonds Deemed To Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect provided in Section 10.01 hereof. Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in Section 10.01 hereof if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 4.02 hereof, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with Section 4.02 hereof, (b) there shall have been deposited with the Trustee either (i) money in an amount which shall be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited or on deposit with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

[Notwithstanding the foregoing, the defeasance of the Insured Series 2021A Bonds may only be accomplished by: (i) well and truly paying or causing to be paid the principal, interest and redemption premiums (if any) on the Outstanding Insured Series 2021A Bonds as and when the same become due and payable, (ii) depositing cash into an escrow account in an amount sufficient to pay the

principal, interest and redemption premiums (if any) on the Outstanding Insured Series 2021A Bonds as and when the same become due and payable, or (iii) depositing non-callable, direct obligations of the United States of America into an escrow account which shall, upon maturity thereof, yield amounts necessary to pay the principal, interest and redemption premiums (if any) on the Outstanding Insured Series 2021A Bonds as and when the same become due and payable. At least three Business Days prior to any defeasance with respect to the Insured Series 2021A Bonds, the Authority shall deliver to the 2021 Insurer draft copies of an escrow agreement, an opinion of counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Series 2021A Bonds, and a verification report prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and verification report shall be addressed to the 2021 Insurer and shall be in form and substance satisfactory to the 2021 Insurer.]

Section 10.03 Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, shall be repaid to the Authority (without liability for interest) free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Benefits of Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the City, the 2021 Insurer, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term required herein to be observed or performed by or on behalf of the Authority or the City shall be for the sole and exclusive benefit of the Trustee and the Owners.

Section 11.02 Successor Deemed Included in all References to Predecessor. Whenever the Authority, the City or the Trustee, or any officer thereof, is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the City or the Trustee, or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Authority, the City or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03 Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state

or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bonds and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority, the City or the Trustee in good faith and in accordance therewith.

Section 11.04 Waiver of Personal Liability. Notwithstanding anything contained herein to the contrary, no member, officer or employee of the Authority or the City shall be individually or personally liable for the payment of any moneys, including without limitation, the principal or interest on the Bonds, but nothing contained herein shall relieve any member, officer or employee of the City or the Authority from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or hereby.

Section 11.05 Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds.

Section 11.06 Funds and Accounts. Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

The Trustee may commingle any of the moneys held by it hereunder for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to this Indenture. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

Section 11.07 Article and Section Headings Gender and References. The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. The headings or titles of the several Articles and Sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections,” subsections or clauses are to the corresponding Articles, Sections, subsections or clauses hereof, and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, subsection or clause thereof.

Section 11.08 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the Authority, the

City or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority, the City and the Trustee hereby declare that they would have executed this Indenture, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.09 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 actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that, in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the Trustee actually knows to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority and the City shall specify in a Written Certificate of the City and Authority those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such Certificate.

Section 11.10 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.03 hereof but without any liability for interest thereon.

Section 11.11 Payment on Non-Business Days. In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.12 California Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 11.13 Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City: City of Fontana
8353 Sierra Avenue
Fontana, California 92335
Attention: City Manager

If to the Authority: Fontana Public Facilities Financing Authority
c/o City of Fontana
8353 Sierra Avenue
Fontana, California 92335
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
633 West Fifth St., 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services
Ref: City of Fontana

If to 2021 Insurer:

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answer back or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (d) if given by any other means, upon delivery at the address specified in this Section.

Section 11.14 Notice to Rating Agencies. The Trustee shall provide S&P, if the Bonds are then rated by S&P, and Moody's, if the Bonds are then rated by Moody's, with prompt notice of any substitution or release of property pursuant to Sections 10.03 and 10.04 of the Lease Agreement.

Section 11.15 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.

Section 11.16 Payment Procedure Under the Policy.

[To Come]

Section 11.17 [2021 Insurer as Third Party Beneficiary. The 2021 is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Authority and the City have caused this Indenture to be signed in their respective names by their representative thereunto duly authorized, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written,

FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY

By: _____
Executive Director

ATTEST:

Secretary

CITY OF FONTANA

By: _____
City Manager

ATTEST:

City Clerk

[SIGNATURES CONTINUED ON NEXT PAGE.]

[SIGNATURE PAGE CONTINUED.]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2021A BOND

No. _____

\$ _____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BOND
SERIES 2021A**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____ %	November 1, 20__	_____, 2021	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ THOUSAND DOLLARS

The Fontana Public Facilities Financing Authority (the “Authority”), for value received, hereby promises to pay, solely from the Base Rental Payments (as hereinafter defined) or amounts in certain funds and accounts held under the Indenture (as hereinafter defined), to the Registered Owner identified above or registered assigns (the “Registered Owner”); on the Maturity Date identified above or on 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 lawful money from the date hereof payable semiannually on May 1 and November 1 in each year, commencing May 1, 2022 (the “Interest Payment Dates”), until payment of such Principal Amount in full. This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth calendar day of the month next preceding such Interest Payment Date, whether or not such day is a Business Day, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to April 15, 2022, 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, interest on this Bond shall be payable from the date to which interest hereon has been paid in full, payable on each Interest Payment Date). The Principal Amount hereof is payable upon surrender hereof upon maturity or earlier redemption at the Office of the Trustee (as hereinafter defined). Interest hereon is payable by wire or check of U.S. Bank National Association, as Trustee (the “Trustee”), mailed by first class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner shown on the

Registration Books at the close of business on the fifteenth calendar day of the month next preceding such Interest Payment Date. “Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City of Fontana (the “City”) by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency shall be conducted as specified to the Authority and the City by the Trustee in writing.

This Bond is one of a series of a duly authorized issue of bonds issued for the purpose of financing and refinancing the Project (as defined in the Indenture), and is one of the series of bonds designated “Fontana Public Facilities Financing Authority Lease Revenue Bonds Series 2021A” (the “Series 2021A Bonds”) in the aggregate principal amount of \$_____. The Series 2021A Bonds are issued pursuant to the Indenture, dated as of November 1, 2021 (the “Indenture”), by and among the Authority, the City and the Trustee, and this reference incorporates the Indenture herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. Pursuant to and as more particularly provided in the Indenture, additional bonds (“Additional Bonds”), may be issued by the Authority secured by a lien on a parity with the lien securing the Series 2021A Bonds. The Series 2021A Bonds and any Additional Bonds are collectively referred to as the “Bonds.” The Indenture is entered into, and this Bond is issued under, the Marks-Roos Local Bond Pooling Act of 1985 (the “Act”) and the laws of the State of California.

Pursuant to the Indenture, the principal of and interest on the Bonds are payable solely from certain base rental payments (the “Base Rental Payments”) under and pursuant to that certain Lease Agreement, dated as of November 1, 2021 (the “Lease Agreement”), by and between the City, as lessee, and the Authority, as lessor, all of which rights to receive such Base Rental Payments have been assigned without recourse by the Authority to the Trustee. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund established under the Indenture are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

The Series 2021A Bonds are authorized to be issued in the form of fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”).

The Series 2021A Bonds shall be subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Series 2021A Bonds maturing on or after November 1, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after November 1, 20__, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Series 2021A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Sinking Fund Redemption Date</i> <i>(November 1)</i>	<i>Principal Amount</i> <i>To Be Redeemed</i>
	\$ _____

(maturity)

The Series 2021A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Sinking Fund Redemption Date</i> <i>(November 1)</i>	<i>Principal Amount</i> <i>To Be Redeemed</i>
	\$ _____

(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 Series 2021A Bonds designated for redemption at 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. 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 Series 2021A Bond numbers and the maturity or maturities (except in the event of redemption of all of the Series 2021A Bonds of such maturity or maturities in whole) of the Series 2021A Bonds to be redeemed, and shall require that such Series 2021A Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Series 2021A Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Series 2021A Bonds so called for redemption. Such notice of redemption may also state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Series 2021A Bonds. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2021A Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Series 2021A Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount and maturity of fully registered Series 2021A Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his duly authorized attorney, 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 Series 2021A Bond or Series 2021A Bonds, in Authorized Denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Authority, the City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority, the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority, the City, the owners of the Bonds and 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 fixed maturity of any Bonds, or reduce the principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the owner of each Bond so affected, or, (b) reduce the percentage of Bonds the consent of the owners of which is required to effect any such amendment or modification, or (c) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the owners of the Bonds of the lien created by the Indenture on such the Base Rental Payments and such other assets (except as expressly provided in the Indenture), without the consent of the owners of all Bonds then outstanding.

The Indenture contains provisions permitting the Authority to make provision for the payment of interest on, and the principal and premium, if any, of any of the Bond so that such Bonds shall no longer be deemed to be outstanding under the terms of the Indenture.

All obligations of the Authority under the Indenture and under the Bonds shall be special obligations of the Authority, payable solely from Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed in its name and on its behalf by the facsimile signatures of its Chairperson and Secretary, all as of the Dated Date identified above.

FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY

By: _____
Chairperson

Attest:

Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Series 2021A Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date: _____, 2021

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Board of the Fontana Public Facilities
Financing Authority

[FORM OF ASSIGNMENT]

For value, received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

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

EXHIBIT B

FORM OF PROJECT FUND REQUISITION

**REQUISITION NO. ____ FOR
DISBURSEMENT FROM PROJECT FUND**

The undersigned hereby states and certifies:

(i) that he/she is the duly appointed, qualified and acting _____ of the City of Fontana, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.05 of the Indenture, dated as of November 1, 2021 (the “Indenture”), by and among the Fontana Public Facilities Financing Authority (the “Authority”), the City and U.S. Bank National Association, as trustee (the “Trustee”), related to the Authority’s Lease Revenue Bonds, Series 2021A, the undersigned hereby requests the Trustee to disburse this date the following amounts from the Project Fund established under the Indenture, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the City and is a proper charge against the Project Fund; and

(iv) that there has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

Dated: _____

CITY OF FONTANA

By: _____

Its: _____

EXHIBIT A

PROJECT FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
_____			_____
_____			_____
_____			_____
_____			_____
_____			_____

LEASE AGREEMENT

by and between

CITY OF FONTANA

and

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

Dated as of November 1, 2021

Relating to

\$_____
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS	2
Section 1.01	Definitions	2
ARTICLE II	LEASE OF PROPERTY; TERM	5
Section 2.01	Lease of Property	5
Section 2.02	Term; Occupancy.....	5
ARTICLE III	RENTAL PAYMENTS	6
Section 3.01	Base Rental Payments.....	6
Section 3.02	Additional Rental Payments	6
Section 3.03	Fair Rental Value	7
Section 3.04	Payment Provisions	7
Section 3.05	Appropriations Covenant.....	7
Section 3.06	Rental Abatement	7
ARTICLE IV	ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF THE 2021 PROJECT	8
Section 4.01	Deposit of Bond Proceeds; City Deposit	8
Section 4.02	Acquisition, Construction and Improvement of the 2021 Project	8
Section 4.03	Compliance with Law	8
Section 4.04	Payment of Costs	8
Section 4.05	Time of Completion and Liquidated Damages.....	8
Section 4.06	Construction and Acquisition of the 2021 Project.....	9
Section 4.07	Completion Date; Certification.....	9
ARTICLE V	MAINTENANCE, ALTERATIONS AND ADDITIONS	10
Section 5.01	Modification of the Property	10
Section 5.02	Maintenance and Utilities	10
Section 5.03	Installation of City’s Equipment.....	11
ARTICLE VI	INSURANCE	11
Section 6.01	Commercial General Liability and Property Damage Insurance; Workers’ Compensation Insurance.....	11
Section 6.02	Title Insurance	12
Section 6.03	Additional Insurance Provision; Form of Policies.....	12
Section 6.04	Self-Insurance	13
ARTICLE VII	DEFAULTS AND REMEDIES	13
Section 7.01	Defaults and Remedies	13
Section 7.02	Waiver.....	16
ARTICLE VIII	EMINENT DOMAIN; PREPAYMENT	16
Section 8.01	Eminent Domain	16
Section 8.02	Prepayment	16
ARTICLE IX	COVENANTS	17
Section 9.01	Right of Entry	17
Section 9.02	Liens	17

TABLE OF CONTENTS
(continued)

		Page
Section 9.03	Quiet Enjoyment.....	18
Section 9.04	Authority Not Liable.....	18
Section 9.05	Assignment and Subleasing.....	18
Section 9.06	Title to Property.....	19
Section 9.07	Authority’s Purpose.....	19
Section 9.08	Representations of the City.....	19
Section 9.09	Representation of the Authority.....	19
ARTICLE X	NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE.....	19
Section 10.01	No Consequential Damages.....	19
Section 10.02	Use of the Property.....	19
Section 10.03	Substitution or Release of the Property.....	20
Section 10.04	Release of Police Facility.....	21
ARTICLE XI	MISCELLANEOUS.....	22
Section 11.01	Law Governing.....	22
Section 11.02	Notices.....	22
Section 11.03	Validity and Severability.....	22
Section 11.04	Net-Net-Net Lease.....	22
Section 11.05	Taxes.....	23
Section 11.06	Section Headings.....	23
Section 11.07	Amendments.....	23
Section 11.08	Assignment.....	24
Section 11.09	the 2021 Insurer as Third Party Beneficiary.....	24
Section 11.10	Execution.....	24
SIGNATURES.....		S-1
EXHIBIT A	LEGAL DESCRIPTION OF THE PROPERTY.....	A-1
EXHIBIT B	DESCRIPTION OF THE FACILITIES.....	B-1
EXHIBIT C	BASE RENTAL PAYMENT SCHEDULE.....	C-1

LEASE AGREEMENT

THIS LEASE AGREEMENT (this “Lease Agreement”) executed and entered into as of November 1, 2021, is by and between the CITY OF FONTANA (the “City”), a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California, as lessee, and the FONTANA PUBLIC FACILITIES FINANCING AUTHORITY (the “Authority”), a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California, as lessor.

RECITALS

WHEREAS, the City previously financed a portion of the costs of the acquisition, construction and installation of certain public capital improvements in the City including Fire Station No. 71, as more fully described in the proceedings for the issuance of the 2010 Bonds (defined below) (the “2010 Project”);

WHEREAS, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the 2010 Project through issuance by the Fontana Public Financing Authority of its 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “2010 Bonds”), payable from certain lease payments to be made by the City under a lease agreement;

WHEREAS, the City and the Authority desire to finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Fire Protection District Training Facility located on the site of future Fire Station No. 80 (collectively, the “2021 Project”; and, together with the 2010 Project, the “Project”);

WHEREAS, the City and Authority desire to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the “Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A” (the “Series 2021A Bonds”) for the purpose of refinancing the 2010 Project, the 2010 Bonds and the City’s related lease payments, and financing the 2021 Project;

WHEREAS, in order to facilitate the issuance of the Series 2021A Bonds, the City will lease certain real property and the improvements located thereon (the “Property”) to the Authority pursuant to a Ground Lease, dated as of the date hereof, and the City will sublease the Property back from the Authority pursuant to this Lease Agreement;

WHEREAS, the City and the Authority desire to provide for the issuance of the Series 2021A Bonds pursuant to an Indenture, dated as of the date hereof, by and among the Authority, the City and U.S. Bank National Association, as trustee (the “Trustee”);

WHEREAS, the Series 2021A Bonds are payable from base rental payments (the “Base Rental Payments”) to be made by the City hereunder;

WHEREAS, all rights to receive the Base Rental Payments have been assigned without recourse by the Authority to the Trustee pursuant to an Assignment Agreement, dated as of the date hereof; 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 Lease Agreement 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 Lease Agreement;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease Agreement, have the meanings herein specified, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

“Additional Bonds” means bonds other than the Series 2021A Bonds issued under the Indenture in accordance with the provisions thereof

“Additional Rental Payments” means all amounts payable by the City as Additional Rental Payments pursuant to Section 3.02 hereof.

“Authority” means the Fontana Public Facilities Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

“Base Rental Deposit Date” means the third (3rd) Business Day next preceding each Interest Payment Date.

“Base Rental Payments” means all amounts payable to the Authority from the City as Base Rental Payments pursuant to Section 3.01 hereof.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to Section 3.01 hereof and attached hereto as Exhibit B.

“Bonds” means the Fontana Public Facilities Financing Authority Lease Revenue Bonds Series 2021A issued under the Indenture, and any Additional Bonds.

“City” means the City of Fontana, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Completion Certificate” means a certificate of an Authorized City Representative delivered pursuant to Section 4.07 hereof to the effect that the 2021 Project, or the portion thereof to which such

certificate relates, has been completed substantially in conformity with the plans and specifications for the 2021 Project or such portion thereof.

“**Costs**” “means, with respect to the 2021 Project, together with any other proper item of cost not specifically mentioned herein, (a) costs of payment of, or reimbursement for, acquisition, design, construction, rehabilitation, installation, delivery and financing of the 2021 Project, including, but not limited to, the payment of real property rental, administrative costs and capital expenditures relating to acquisition, construction and installation, inspection costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee pursuant to the Indenture and other financing documents, legal fees and charges, financial, accounting and other professional consultant fees, costs of rating agencies or credit ratings, fees for the printing, execution, transportation and safekeeping of the Series 2021A Bonds; (b) all other costs which the City shall be required to pay under the terms of any contract or contracts for the acquisition, construction, delivery and installation of the 2021 Project, including, but not limited to, the cost of insurance; (c) any sums required to reimburse the City for advances made for any of the above items, or for any other costs incurred and for work done, which is properly chargeable to the 2021 Project; (d) any costs paid from the Net Proceeds to repair, restore or replace the 2021 Project; and (e) such other expenses not specified herein as may be necessary or incidental to the acquisition, construction, delivery and installation of the 2021 Project, the financing thereof and the placing of the same in use and operation. Costs, as defined herein, shall be deemed to include the cost and expenses incurred by any agent of the City for any of the above mentioned items.

“**Delivery Date**” means November __, 2021.

“**Final Termination Date**” means November 1, 2051, unless extended or sooner terminated as provided in Section 2.02 hereof.

“**Fire Facilities**” means that portion of the Property consisting of Fire Station No. 71, Fire Station No. 81, and the Fire Protection District Training Facility.

“**Fire Protection District Training Facility**” means the real property described as the Fire Protection District Training Facility in Exhibit A hereto and the improvements located thereon, including the future Fontana Fire Protection District training facility located thereon.

“**Fire Station No. 71**” means the real property described as Fire Station No. 71 in Exhibit A hereto and the improvements located thereon, including the San Bernardino County Fire Station No. 71 located at 16980 Arrow Blvd, Fontana, California 92335.

“**Fire Station No. 81**” means the real property described as Fire Station No. 81 in Exhibit A hereto and the improvements located thereon, including the future San Bernardino County Fire Station No. 81 located thereon.

“**Ground Lease**” means the Ground Lease, dated as of the date hereof, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with to the provisions thereof and hereof.

“**Indenture**” means the Indenture, dated as of the date hereof, by and among the Authority, the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement, dated as of September 1, 2014, by and between the City and the Fontana Fire Protection District, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Lease Agreement” means this Lease Agreement, as originally executed and as it may from time to time be amended in accordance with the provisions hereof.

“Net Insurance Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Permitted Encumbrances” means, with respect to the Property, as of any particular time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Article VI hereof, permit to remain unpaid, (b) the Assignment Agreement, (c) this Lease Agreement, (d) the Ground Lease, (e) the Solar Energy System Lease Agreement, (f) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the City, (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date which the City certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the 2021 Insurer, the Authority and the City consent in writing, and (h) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the City certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the 2021 Insurer, the Authority and the City consent in writing.

“Police Facility” means the real property described as the Ben L. Abernathy Police Facility in Exhibit A hereto and the improvements located thereon, including City of Fontana Police Department building located at 17005 Upland Avenue, Fontana, California 92335.

“Property” means the 2051 Termination Parcels, and until the Termination Date applicable to Fire Station No. 71, Fire Station No. 71.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the twelve-month period commencing on November 1 of each year during the term of the Lease Agreement.

“Solar Energy System Lease Agreement” means the Solar Energy System Lease Agreement, dated January 7, 2019, by and between the City, as lessor, and General Electric International, Inc., a Delaware limited liability company, as lessee.

“Series 2021A Bonds” means the Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A issued under the Indenture.

“**Termination Date**” means (i) November 1, 2042 with respect to Fire Station No. 71, and (ii) November 1, 2051, with respect to the 2051 Termination Parcels, unless extended or sooner terminated as provided in Section 2.02 hereof.

“**Trustee**” means the trustee appointed under the Indenture and referred to therein as the Trustee.

“**2051 Termination Parcels**” means the Police Facility, Fire Station No. 81 and the Fire Protection District Training Facility and the improvements located thereon.

ARTICLE II

LEASE OF PROPERTY; TERM

Section 2.01 Lease of Property.

(a) The Authority hereby leases to the City and the City hereby leases from the Authority the Property, on the terms and conditions hereinafter set forth, subject to all Permitted Encumbrances.

(b) The leasing of the Property by the City to the Authority pursuant to the Ground Lease shall not effect or result in a merger of the City’s leasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Ground Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and hereof. The leasehold interest granted by the City to the Authority pursuant to the Ground Lease is and shall be independent of this Lease Agreement; this Lease Agreement shall not be an assignment or surrender of the leasehold interest granted to the Authority under the Ground Lease.

Section 2.02 Term; Occupancy. The term of this Lease Agreement shall commence on the Delivery Date and shall end on the applicable Termination Date, unless such term is extended or sooner terminated as hereinafter provided. If on the applicable Termination Date the Bonds shall not be fully paid, or provision therefor made in accordance with Article X of the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments shall remain due and payable or shall have been abated at any time and for any reason, or amounts shall be due and owing hereunder or under the Indenture to the 2021 Insurer, then the term of this Lease Agreement shall be extended until the date upon which (i) all Bonds shall be fully paid, or provision therefor made in accordance with Article X of the Indenture, (ii) the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full or (iii) all amounts due and owing to the 2021 Insurer hereunder or under the Indenture shall be fully paid. Notwithstanding the foregoing, the term of this Lease Agreement shall in no event be extended more than ten years beyond the applicable Termination Date, such extended date being the “Maximum Lease Term.” If prior to the Final Termination Date, all Bonds shall be fully paid, or provision therefor made in accordance with Article X of the Indenture, the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full, then the term of this Lease Agreement shall end simultaneously therewith.

ARTICLE III

RENTAL PAYMENTS

Section 3.01 Base Rental Payments.

(a) Subject to the provisions hereof relating to a revision of the Base Rental Payment Schedule pursuant to subsection (b) of this Section, the City shall pay to the Authority, as Base Rental Payments (subject to the provisions of Section 3.06 and Article VIII hereof) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments shall constitute principal, and a portion of which shall constitute interest. Rental Payments, including Base Rental Payments, shall be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or of the State of California, or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

(b) If the term of this Lease Agreement shall have been extended pursuant to Section 2.02 hereof, the obligation of the City to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of this Lease Agreement (as so extended pursuant to Section 2.02 hereof). Upon such extension, the Base Rental Payments shall be established so that they will be sufficient to pay all extended and unpaid Base Rental Payments; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Section 3.02 Additional Rental Payments. The City shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to Article VI hereof;

(d) any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with Section 148(f) of the Code;

(e) all amounts due to the 2021 Insurer under the Indenture; and

(f) all other payments required to be paid by the City under the provisions of this Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Section 3.03 Fair Rental Value. The parties hereto have agreed and determined that the annual fair rental value of the Property is not less than the maximum annual Rental Payments due in any year. In making such determination of fair rental value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom which will accrue to the City and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Section 3.04 Payment Provisions. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal office of the Trustee in Los Angeles, California, or such other place or entity as the Authority or Trustee shall designate. Each Base Rental Payment shall be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which shall not be paid by the City when due and payable under the terms of this Lease Agreement shall bear interest from the date when the same is due hereunder until the same shall be paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the City, the City shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due hereunder or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this Section on any date shall be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Section 3.05 Appropriations Covenant. The City covenants to take such action as may be necessary to include all Rental Payments due hereunder as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The City will deliver to the Authority and the Trustee a Certificate of the City stating that its final annual budget includes all Base Rental Payments due in such fiscal year within ten days after the filing or adoption thereof. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

Section 3.06 Rental Abatement. Except as otherwise specifically provided in this Section, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other

rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement shall continue in full force and effect. The amount of such abatement shall be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority shall calculate such abatement and shall provide the Trustee with a certificate setting forth such calculation and the basis therefor. 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 Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of this Lease Agreement shall be extended as provided in Section 2.02 hereof, except that the term shall in no event be extended beyond the Maximum Lease Term.

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

ARTICLE IV

ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF THE 2021 PROJECT

Section 4.01 Deposit of Bond Proceeds; City Deposit. Upon the issuance of the Series 2021A Bonds, the Authority agrees that all proceeds of the Series 2021A Bonds shall be paid to the Trustee and that such moneys shall be deposited with the Trustee and be applied as provided in Section 3.02 of the Indenture

Section 4.02 Acquisition, Construction and Improvement of the 2021 Project. The City agrees to acquire, construct, deliver and install any portion of the 2021 Project to be financed with the proceeds of the Series 2021A Bonds, or to cause such portion to be acquired, constructed, delivered and installed, with the proceeds of Series 2021A Bonds paid to the City by the Authority pursuant to Section 4.01 above and the Authority shall have no responsibility with respect thereto.

Section 4.03 Compliance with Law. The City shall comply with all applicable provisions for bids and contracts prescribed by law with respect to the 2021 Project, including, without limitation, any applicable environmental review and approvals, Sections 20110 et seq. of the Public Contracts Code and Article 42 (commencing with Section 20670) of Part 3 of Division 2 of the Public Contracts Code. The City acknowledges and agrees that specific expenditures for all or any portion of the 2021 Project, as now or hereafter designated, are expressly subject to compliance with such requirements.

Section 4.04 Payment of Costs. Payment of Costs shall be made from the moneys deposited with the Trustee in the Project Fund as provided in Section 4.01 hereof and Section 3.05 of the Indenture, which shall be disbursed from the Project Fund in accordance and upon compliance with Section 3.05 of the Indenture.

Section 4.05 Time of Completion and Liquidated Damages. The construction and equipping of the 2021 Project shall be completed on or prior to November 1, 2024, subject to excused delays pursuant to standard City procedures. It is agreed that, if the City does not cause the completion of the acquisition, construction, equipping and installation of the 2021 Project by its completion date

specified above by construction contractors or a construction manager, whichever the City deems appropriate, liquidated damages will be assessed against the construction contractor for each day of unexcused delay in completion (in accordance with standard City procedure). The City shall cause to be paid to the Trustee all amounts received as liquidated damages for application toward the Base Rental Payments.

Each construction contractor hired by the City shall be required to provide payment and performance bonds in amounts equal to the maximum price under its contract.

Section 4.06 Construction and Acquisition of the 2021 Project. The City agrees to oversee the construction, acquisition, delivery and installation of the 2021 Project in accordance with the following terms:

(a) Construction and Completion. The City agrees to proceed with all due diligence to complete the construction, acquisition, delivery and installation of the 2021 Project, all in accordance with the plans and specifications for the 2021 Project (the “Plans and Specifications”) approved by the City Engineer. The City shall comply with all statutes and laws applicable to the performance of its obligations hereunder, including all public laws applicable thereto and all laws regarding the approval, acquisition and construction of public projects by cities in the State of California. The City shall make certain that each contract relating to the 2021 Project is awarded in accordance with applicable law and contains a scheduled completion date which requires completion on or before the scheduled completion date referred to in Section 4.05 above;

(b) Change Orders. Subject to any other restrictions imposed upon the City, the City may approve any changes to the Plans and Specifications so long as any change does not, and all such changes as a whole do not, (i) substantially alter the nature of the 2021 Project, (ii) delay the completion of the 2021 Project beyond November 1, 2024, (iii) reduce the fair rental value of the 2021 Project, or (iv) increase the total Costs of the 2021 Project to an amount in excess of the amount in the Project Fund unless there has been deposited with the City an amount equal to such excess or unless there has been deposited with the City a certificate of an Authorized Representative of the City, together with a revised construction budget demonstrating that the total amount on deposit to pay for the Project is adequate to allow the completion of the Project as planned;

(c) Payment of Costs of the 2021 Project. Payment of the portion of the Costs of the Project being financed by the City shall be made from moneys deposited in the Project Fund, and shall be disbursed for such purpose in accordance and upon compliance with the Indenture. Neither the Authority nor the City shall be liable for the payment of Costs of the 2021 Project other than from amounts on deposit in the Project Fund; and

(d) Unexpended Monies. The City agrees that unexpended moneys remaining in the Project Fund shall, upon payment in full of all Costs of the 2021 Project, be applied solely in accordance with the provisions of the Indenture.

Section 4.07 Completion Date; Certification. Upon the completion of acquisition, construction, delivery and installation of the portion of the 2021 Project to be financed with each issue of Bonds, the City shall deliver to the Trustee a Completion Certificate with respect thereto. On the date of filing a Completion Certificate concerning that portion of the 2021 Project financed with proceeds of Series 2021A Bonds, all excess moneys remaining in the Project Fund for the Series 2021A

Bonds for which such Completion Certificate is delivered shall be applied in accordance with the provisions of Section 3.05 of the Indenture.

ARTICLE V

MAINTENANCE, ALTERATIONS AND ADDITIONS

Section 5.01 Modification of the Property.

(a) Subject to Section 9.02 hereof, the City and any sublessee shall, at its own expense, or with the proceeds of Additional Bonds, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. All such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way cause an abatement of Rental Payments with respect to the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest on the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds); and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall have an annual fair rental value which is not less than the annual Rental Payments.

(b) Subject to Section 9.02 hereof, the City and any sublessee shall, at its own expense, or with the proceeds of Additional Bonds, have the right to make replacements, redevelopment or renovation of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The City receives an opinion of Bond Counsel, a copy of which the City shall furnish to the Authority and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest with respect to the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds), and (2) this Lease will remain the legal, valid, binding and enforceable obligation of the City;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Rental Payments as provided in Section 3.06 hereof the City shall have notified any rating agency then providing a rating on the Bonds and shall deposit moneys with the Trustee in advance for payment of Rental Payments from the proceeds of Additional Bonds or from special funds of the City or other moneys, the application of which would not, in the opinion of Bond Counsel (a copy of which shall have been delivered to the Trustee), result in such Rental Payments constituting indebtedness of the City in contravention of the Constitution and laws of the State; and

(iii) The City shall certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation.

Section 5.02 Maintenance and Utilities. Throughout the term of this Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power gas, telephone, light, heating, ventilation, air conditioning, water and all other

utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Section 5.03 Installation of City's Equipment. The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the City or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The City or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the City or any sublessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

ARTICLE VI

INSURANCE

Section 6.01 Commercial General Liability and Property Damage Insurance; Workers' Compensation Insurance.

(a) The City shall maintain or cause to be maintained, throughout the term of this Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of Section 6.04 hereof. The Net Insurance Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance shall have been paid.

(b) The City shall maintain or cause to be maintained, throughout the term of this Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act; provided, however, that

the City's obligations under this subsection may be satisfied by self-insurance, provided such self-insurance complies with the provisions of Section 6.04 hereof.

(c) The City shall maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which shall include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. The City has an insurance policy which provides replacement cost coverage. All insurance required to be maintained pursuant to this subsection may be subject to a deductible in an amount not to exceed \$500,000. The City's obligations under this subsection may be satisfied by self-insurance, provided such self-insurance complies with the provisions of Section 6.04 hereof.

(d) The City shall maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to subsection (c) of this Section in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City shall not be permitted to self-insure its obligation under this subsection.

(e) The insurance required by this Section shall be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant, to be adequate for the purposes hereof.

Section 6.02 Title Insurance. The City shall provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, the form of which policy or policies shall be acceptable to the 2021 Insurer, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2021A Bonds. Such policy or policies shall insure (a) the fee interest of the City in the Property, (b) the Authority's ground leasehold estate in the Property under the Ground Lease, and (c) the City's leasehold estate hereunder in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in Section 5.03 of the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or this Lease Agreement or required thereby or hereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Bond Owners.

Section 6.03 Additional Insurance Provision; Form of Policies. The City shall pay or cause to be paid when due the premiums for all insurance policies required by Section 6.01 hereof, and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall provide that the Trustee shall be given 30 days' notice of the expiration thereof or any intended cancellation thereof. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The City shall cause to be delivered to the Trustee on or before November 1 each year, commencing November 1, 2022, a Certificate of the City stating that such policies are in full force and effect and that the City is in full compliance with the requirements of this Article. The Trustee shall be entitled to rely upon said Certificate of the City as to the City's compliance with this Article. The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies.

Section 6.04 Self-Insurance. Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance shall be deemed to be self-insurance for purposes hereof. Any self-insurance maintained by the City pursuant to this Article shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by a professionally certified risk manager or by an independent insurance consultant;

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by a professionally certified risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of a professionally certified risk manager or such independent insurance consultant, as applicable; and

(c) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by a professionally certified risk manager or by an independent insurance consultant, shall be maintained.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01 Defaults and Remedies.

(a) (i) If the City shall fail (A) to pay any Rental Payment payable hereunder when the same becomes due and payable, time being expressly declared to be of the essence in this Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained herein or in the Indenture to be kept or performed by the City, or (ii) upon the happening of any of the events specified in this subsection or in subsection (b) of this Section, the City shall be deemed to be in default hereunder and it shall be lawful for the Authority, upon the direction of the 2021 Insurer, to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement. The City shall in no event be in default in the observance or performance of any covenant, condition or agreement in this Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the City shall have failed, for a period of 30 days or such additional time as is reasonably required to correct any such default after notice by the Authority to the 2021 Insurer and the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate this Lease Agreement in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Property as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City. In the event of such termination, the City agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry

upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under this Lease Agreement shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating this Lease Agreement, (x) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions hereof to be kept or performed by the City, regardless of whether or not the City has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event the Authority, at the direction of the 2021 Insurer, does not elect to terminate this Lease Agreement in the manner provided for in subparagraph (1) hereof, the City shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of this Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Rental Payments hereunder, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments herein specified, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as herein provided, the City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City, and the City hereby indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of this Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The City further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

(b) If (i) the City's interest in this Lease Agreement or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority and, as hereinafter provided for, or (ii) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to elect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general assignment for the benefit of the City's creditors, or (iii) the City shall abandon or vacate the Property, then the City shall be deemed to be in default hereunder.

(c) In addition to the other remedies set forth in this Section, upon the occurrence of an event of default, the Authority and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the City and of its city council, officers or employees shall be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the City and its city council, officers and employees and its assigns to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided herein.

Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Authority to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section shall include, but not be limited to, re-letting by means of the operation by the Authority of the Property. If any statute or rule of law validly shall limit the remedies given to the Authority hereunder, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of this Lease Agreement, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority hereunder.

Notwithstanding anything to the contrary contained in this Lease Agreement, the Authority shall have no right upon a default hereunder by the City to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in this Lease Agreement, the termination of this Lease Agreement by the Authority and its assignees on account of a default by the City under this Section shall not effect or result in a termination of the Ground Lease.

Section 7.02 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 grow up between the parties in the course of administering this instrument 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 any other default or of the same default subsequently occurring. The acceptance of Rental Payments hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Lease Agreement.

ARTICLE VIII

EMINENT DOMAIN; PREPAYMENT

Section 8.01 Eminent Domain. If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease Agreement shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of Section 3.06 hereof. So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the redemption of Bonds as provided in subsection (a) of Section 4.01 of the Indenture, in the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued and in Section 5.03 of the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and hereunder, have been fully paid, shall be paid to the Authority and to the City as their respective interests may appear.

Section 8.02 Prepayment.

(a) The City may prepay all or a portion of the Base Rental Payments attributable to the Series 2021A Bonds which are payable after November 1, 20__ from any source of available funds, on any date on or after November 1, 20__, by paying (i) all or a portion, as selected by the City, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2021A Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in Article X of the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the City has a right to prepay such Base Rental Payments pursuant to subsection (a) of this Section, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) of this Section.

(c) If less than all of the Base Rental Payments attributable to the Series 2021A Bonds are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to subsection (a) of this Section, or the date of a deposit pursuant to subsection (b) of this Section, the principal and interest components of such Base Rental Payments shall be recalculated by the City and transmitted to the Trustee in order to take such prepayment into account. The City agrees that if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the City shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the City shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of this Lease Agreement then, as of the date of such prepayment pursuant to subsection (a) of this Section and, if applicable, the corresponding provisions hereof relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or deposit pursuant to subsection (b) of this Section and, if applicable, such corresponding provisions, and payment of all other amounts owed under this Lease Agreement, the term of this Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments attributable to the Series 2021A Bonds made pursuant to this Section shall be applied to the redemption of the Series 2021A Bonds as directed by the City and as provided in Section 4.01 of the Indenture.

(f) Before making any prepayment pursuant to this Article, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made (conditionally or otherwise), which date shall be not less than 20 nor more than 60 days from the date such notice is given to the Authority.

ARTICLE IX

COVENANTS

Section 9.01 Right of Entry. The Authority and its assignees shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under this Lease Agreement, and for all other lawful purposes.

Section 9.02 Liens. In the event the City shall at any time during the term of this Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, 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 Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the

Authority's interest therein, and will cause each 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 as long as such contestment is in good faith. 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 9.03 Quiet Enjoyment. The parties hereto mutually covenant that the City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Section 9.04 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 Property. 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 Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The City also covenants and agrees, at its expense, to pay and indemnify and save the Authority and the Trustee and all directors, officers and employees thereof harmless against and from any and all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the City in the performance of any covenant or agreement to be performed by the City pursuant to this Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or Operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this Section, but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Authority or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the City, upon notice from the Authority or the Trustee or such director, member, officer employee thereof, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the Authority or the Trustee or such director, member, officer or employee thereof.

Section 9.05 Assignment and Subleasing. This Lease Agreement may not be assigned by the City. The City may sublease the Fire Facilities or any portion thereof to the Fontana Fire Protection District, so long as the City remains fully liable for all obligations under this Lease Agreement and the sublease is subordinate in all respects to the rights of the Authority and the Trustee hereunder. The City may sublease the Property or any portion thereof to any other person or entity for any other purpose, subject to the satisfaction of all of the following conditions (a) through (d) below:

(a) this Lease Agreement and the obligation of the City to make all Rental Payments hereunder shall remain the primary 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) any sublease of the Property by the City shall explicitly provide that such sublease is subject to all rights of the Authority under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the City; and

(d) the City shall furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Notwithstanding any other provision of this Lease Agreement, except for a sublease to the Fontana Fire Protection District as permitted by this Section, no sublease, release, sale, disposition or substitution of the Property shall occur without the prior written consent of the 2021 Insurer.

Section 9.06 Title to Property. Upon the termination or expiration of this Lease Agreement (other than as provided in Section 7.01 and Section 8.01 hereof), and the first date upon which the Bonds are no longer Outstanding, all right, title and interest in and to the Property shall vest in the City. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Section 9.07 Authority's Purpose. The Authority covenants that, prior to the discharge of this Lease Agreement and the Bonds, it will not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the Joint Powers Agreement.

Section 9.08 Representations of the City. The City represents and warrants to the Authority that (a) the City has the full power and authority to enter into, to execute and to deliver this Lease Agreement and the Indenture, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Lease Agreement and the Indenture, and (b) the Property will be used in the performance of essential governmental functions.

Section 9.09 Representation of the Authority. The Authority represents and warrants to the City that the Authority has the full power and authority to enter into, to execute and to deliver this Lease Agreement, the Assignment Agreement and the Indenture, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Lease Agreement, the Assignment Agreement and the Indenture.

ARTICLE X

NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE

Section 10.01 No Consequential Damages. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Lease Agreement or the City's use of the Property.

Section 10.02 Use of the Property. The City will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease Agreement. In addition, the City agrees to comply in all respects (including, without

limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under this Lease Agreement.

Section 10.03 Substitution or Release of the Property. The City shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from this Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the City. Notwithstanding any substitution or release of Property pursuant to this subsection, there shall be no reduction in or abatement of the Base Rental Payments due from the City hereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following specific conditions, which are hereby made conditions precedent to such substitution or release:

(a) the City shall have found (as set forth in a certificate delivered by the City to the Trustee) that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

(b) the City shall have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in Section 6.02 hereof;

(c) the City shall have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(d) the City, the Authority and the Trustee shall have executed, and the City shall have caused to be recorded with the San Bernardino County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained herein and in the Ground Lease;

(e) the City shall have provided notice of such substitution to each rating agency then rating the Bonds;

(f) no Event of Default (within the meaning of Article VII hereof) has occurred and is continuing;

(g) the City will give, or cause to be given, any notice of the occurrence of such substitution required to be given pursuant to the Continuing Disclosure Certificate;

(h) the City will certify to the Trustee that the City has a current need for the substituted real property; and

(i) the City shall certify to the Trustee that any substitution shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

Section 10.04 Release of the Police Facility

(a) Release of Police Facility Prior to Completion. Without regard to the requirements of Section 10.03 or Section 10.04(b) below, the Authority may provide for release and deletion of the Police Facility portion of the Property (the “Released Portion”) prior to completion of the 2021 Project from the Property such that the Fire Facilities constitute the Remaining Portion (the “Remaining Portion”), provided that the City shall satisfy conditions (i), (ii) and (iii) below, compliance with each of which requirements is hereby declared to be a condition precedent to such release:

(i) The City shall certify in writing to the Trustee and to the Authority that the construction contract and other arrangements for the construction of the 2021 Project comply with the requirements of Section 4.02 and Article IV of this Lease Agreement, and that the City has deposited such amount, if any, to the Project Fund to cause the amount on deposit therein to equal the remaining estimated cost of the 2021 Project, including the City’s planned contingency amount, and has deposited sufficient moneys into the Principal Fund and Interest Fund maintained under the Indenture to pay all principal and interest payments scheduled to come due on the Bonds through the date that is six months following the completion date for the 2021 Project; and

(ii) The City and the Authority shall file with the Trustee a copy of an amended Exhibit A and B to this Lease Agreement which deletes the Police Facility from this Lease Agreement (the “Lease Supplement”); and

(iii) The City shall provide to S&P at least 21 days prior written notice of the City’s intention to cause the release of the Police Facility from this Lease Agreement pursuant to this Section 10.04(a), together with a copy of the Lease Supplement described in (ii) above; and

(b) Release of Police Facility After Completion of Fire Facilities. Without regard to the requirements of Section 10.03 or Section 10.04(a) above, the Authority may provide for release and deletion of the Police Facility portion of the Property from the Property such that the Fire Facilities constitute the Remaining Portion, provided that the City shall satisfy conditions (i) and (ii) below, compliance with each of which requirements is hereby declared to be a condition precedent to such release:

(i) The City shall file with the Authority and the Trustee a copy of a Lease Supplement which deletes the Police Facility from the Lease Agreement; and

(ii) The City shall have delivered the Completion Certificate to the Trustee.

Upon the satisfaction of all such conditions under Section 10.04, subsection (a) or (b) above, this Lease Agreement shall thereupon end as to the Released Portion and shall thereupon continue as to the Remaining Portion, and the Police Facility shall be released from the Lease Agreement and no longer form part of the Property hereunder without further act or deed of the City, the Authority, or the Trustee, provided the Authority and the Trustee shall execute any such instruments evidencing such release as may be reasonably requested by the City from time to time. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of such deletion.

Section 11.05 Taxes. The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the term of this Lease Agreement as and when the same become due.

The City or any sublessee may, at the City's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the City or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the City or such sublessee shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Section 11.06 Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease Agreement.

Section 11.07 Amendments.

(a) This Lease Agreement and the Ground Lease may be amended and the rights and obligations of the 2021 Insurer, the Authority and the City hereunder and thereunder may be amended at any time by an amendment hereto or thereto which shall become binding upon execution and delivery by the Authority and the City, but only with the prior written consent of the 2021 Insurer and the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment shall (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the 2021 Insurer and the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of this Lease Agreement or the Ground Lease. For purposes of this Section, the 2021 Insurer shall be deemed to be the Owner of all Insured 2021 Bonds.

(b) This Lease Agreement and the Ground Lease and the rights and obligations of the Authority and the City hereunder and thereunder may also be amended at any time by an amendment hereto or thereto which shall become binding upon execution by the Authority and the City, without the written consents of any Owners or the 2021 Insurer, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein or therein 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 or therein to or conferred herein or therein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or therein or in regard to questions arising hereunder or thereunder which the Authority or the City may deem desirable or necessary and not inconsistent herewith or therewith, and which shall not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of Sections 10.03 or 10.04 hereof;

(v) to provide for the issuance of Additional Bonds in accordance with Article III of the Indenture; or

(vi) to make such other changes herein or therein or modifications hereto or thereto as the Authority or the City may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel.

Section 11.08 Assignment. The City and the Authority hereby acknowledge the assignment of this Lease Agreement (except for the Authority's obligations and its rights to give consents or approvals hereunder), and the Base Rental Payments payable hereunder, to the Trustee pursuant to the Assignment Agreement. To the extent that this Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 11.09 2021 Insurer as Third Party Beneficiary. [The 2021 Insurer is recognized as and shall be deemed to be a third party beneficiary of this Lease Agreement and may enforce the provisions of this Lease Agreement as if it were a party hereto.]

Section 11.10 Execution. This Lease Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Lease Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CITY OF FONTANA

By: _____
City Manager

ATTEST:

City Clerk

FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY

By: _____
Executive Director

ATTEST:

Secretary

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Ben L. Abernathy Police Facility

PARCEL NO. 1:

THE SOUTH 7.13 FEET OF LOT 20, ALL OF LOT 21, AND THE NORTH 42.67 FEET OF LOT 22, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 2:

LOT 8 AND THE NORTH 42.93 FEET OF LOT 9 AND THE SOUTH 7.07 FEET OF LOT 7, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 3:

THE NORTH 42.87 FEET OF LOT 20 AND THE SOUTH 7.13 FEET OF LOT 19, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 A 55438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 4:

THE NORTH 42.87 FEET OF LOT 19 AND THE SOUTH 7.13 FEET OF LOT 18, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 5:

THE SOUTH 7.07 FEET OF LOT 9 AND ALL OF LOTS 10 AND 11, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

APN: 192-031-10

APN: 192-031-11

APN: 192-031-12

APN: 192-031-13

APN: 192-031-14

Fire Station No. 71:

THAT PORTION OF BLOCK 17 OF TRACT NO. 2266, FONTANA, TOWNSITE, IN THE CITY OF FONTANA, PER MAP RECORDED IN BOOK 32, PAGES 43 THROUGH 53, INCLUSIVE, RECORDS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF SAID BLOCK 17, SAID POINT BEING SOUTH 89°44'00" WEST, 862.67 FEET OF THE SOUTHEAST CORNER OF SAID BLOCK 17; THENCE NORTH 00°14'00" WEST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 247.57 FEET; THENCE NORTH 89°23'47" EAST, 240.55 FEET; THENCE SOUTH 00°14'00" EAST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 248.98 FEET TO THE SOUTHERLY LINE OF SAID BLOCK 17; THENCE SOUTH 89°44'00" WEST ALONG SAID SOUTHERLY LINE, 240.55 FEET TO THE POINT OF BEGINNING.

APN: 0192-042-26

APN: 0192-042-27

Fire Protection District Training Facility

THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 1 NORTH, RANGE 6 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 35;
THENCE ALONG THE NORTH LINE OF SAID SECTION 35, SOUTH 89°55'12" EAST, 950.74 FEET TO THE NORTHWESTERLY LINE OF THE LAND CONVEYED IN A DEED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN RECORDED JULY 31, 1991 AS INSTRUMENT NO. 91-290525, OFFICIAL RECORDS;
THENCE ALONG SAID NORTHWESTERLY LINE SOUTH 44° 23' 30" WEST, 579.12 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING SOUTH 44° 23' 30" WEST, 663.27 FEET;
THENCE NORTH 43° 47' 30" WEST, 31.95 FEET;
THENCE NORTH 00° 01' 56" EAST, 363.73 FEET;
THENCE NORTH 79° 49' 49" EAST, 493.66 FEET TO THE TRUE POINT OF BEGINNING.

APN: 0228-021-46

Fire Station No. 81

LOT E OF TRACT NO. 20213-1, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, AS PER MAP FILED ON JULY 9, 2019, IN BOOK 353, PAGES 55 THROUGH 60, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM 1/2 INTEREST IN AND TO ALL OIL, MINERALS, ASPHALTUM AND HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE OF SAID LAND, AS RESERVED IN THE DEED FROM JAMES R. JOHNSON AND MILDRED E. JOHNSON, HUSBAND AND WIFE TO BERRY INVESTMENT CORPORATION, RECORDED NOVEMBER 25, 1957 IN BOOK 4376, PAGE 206 OF OFFICIAL RECORDS.

APN: 0239-932-37

EXHIBIT B

DESCRIPTION OF THE FACILITIES

All fixtures, improvements and structures located on the Property.

Ben L. Abernathy Police Facility:

The Policy Facility consists of the City of Fontana Police Department building located at 17005 Upland Avenue, Fontana, California 92335, APNs 0192-031-10, 11, 12, 13, 14, 26, and 27.

Fire Facilities:

The Fire Facilities consist of (i) Fire Station No. 71 located at 16980 Arrow Blvd, Fontana, CA 92335, (ii) the future site of Fire Station No. 81 located at property designated as APN 239-962-37 (Lot E)., and (iii) the future site of a new Fire Protection District Training Facility located at property designated as APN: 0228-021-46-0-000 (the future site of Fire Station No. 80).

EXHIBIT C

BASE RENTAL PAYMENT SCHEDULE

<i>Date (Third Business Day Prior to)</i>	<i>Principal Component</i>	<i>Interest Component</i>	<i>Total Base Rental</i>
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RECORDING REQUESTED BY:
Fontana Public Facilities Financing Authority

AND WHEN RECORDED MAIL TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attn: Vanessa S. Legbandt, Esq.

[Space above for Recorder's use.]

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11921 OF THE CALIFORNIA REVENUE AND TAXATION CODE AND THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE BECAUSE THE ASSIGNOR IS A GOVERNMENTAL AGENCY. LEASE TERM LESS THAN 35 YEARS.

THE GRANTOR AND THE GRANTEE ARE GOVERNMENTAL AGENCIES.

MEMORANDUM OF LEASE AGREEMENT

by and between

CITY OF FONTANA

and

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

Dated as of November 1, 2021

Relating to

\$ _____

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT (the “Memorandum”) is made and entered into as of the 1st day of November, 2021, by and between the CITY OF FONTANA, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and the laws of the State of California (the “City”) and the FONTANA PUBLIC FACILITIES FINANCING AUTHORITY, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California (the “Authority”).

The City has pursuant to a Ground Lease, dated as of November 1, 2021 (the “Ground Lease”), by and between the City and the Authority, which Ground Lease is being recorded currently herewith, leased all of the real property legally described in Exhibit A attached hereto to the Authority.

FOR VALUABLE CONSIDERATION, the Authority hereby leases to the City, and the City hereby leases back from the Authority, all of the real property legally described in Exhibit A attached hereto and made a part hereof, subject to the terms and conditions of that certain unrecorded Lease Agreement, dated as of November 1, 2021 (the “Lease”), by and between the City and the Authority, which by this reference is incorporated herein. All capitalized terms in this Memorandum not otherwise defined herein shall have the same meaning as set forth in the Lease.

The Authority’s rights under the Lease, including the right to receive and enforce payment of the Rental Payments to be made by the City under the Lease, have been assigned and transferred to U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, as trustee pursuant to the Indenture (the “Trustee”), without recourse for the benefit of the Owners of the Bonds pursuant to the Assignment Agreement, dated as of November 1, 2021, by and between the Authority and the Trustee, to which assignment, transfer and sale the City hereby consents.

The term of the Lease shall commence on the Delivery Date and shall end on (i) November 1, 2042 with respect to the portion of the Property designated as Fire Station No. 71 on Exhibit A hereto, and (ii) November 1, 2051 with respect to the portion of the property designated as the 2051 Termination Parcels in the Lease, which consists of the parcels described as the Ben L. Abernathy Police Facility, Fire Station No. 81 and the Fire Protection District Training Facility on Exhibit A hereto, unless such term is extended as provided in the Lease. If on November 1, 2051 the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments shall remain due and payable or shall have been abated at any time and for any reason, then the term of the Lease shall be extended until the date upon which (i) all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, or (ii) the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full. Notwithstanding the foregoing, the term of the Lease shall in no event be extended more than ten years beyond November 1, 2051. Such extended date being the “Maximum Lease Term.” If prior to November 1, 2051 all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full, the term of the Lease shall end simultaneously therewith.

Furthermore, pursuant to the terms and conditions set forth in the Lease, the City may substitute additional real property for the property described in Exhibit A or delete portions of the real property described therein from the Lease.

IN WITNESS WHEREOF, each of the parties hereto has executed this Memorandum of Lease as of the day and year first hereinabove written.

CITY OF FONTANA

By: _____
Mark Denny
City Manager

ATTEST:

Tonia Lewis
City Clerk

FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY

By: _____
Mark Denny
Executive Director

ATTEST:

Tonia Lewis
Secretary

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the Property conveyed under the foregoing to the City of Fontana, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and the laws of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the City Council of the City of Fontana, pursuant to authority conferred by resolution of the said City Council adopted on September 28, 2021, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____, 2021

CITY OF FONTANA

By: _____
Mark Denny
City Manager

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)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 NOTARY PUBLIC

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)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 NOTARY PUBLIC

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Ben L. Abernathy Police Facility

PARCEL NO. 1:

THE SOUTH 7.13 FEET OF LOT 20, ALL OF LOT 21, AND THE NORTH 42.67 FEET OF LOT 22, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 2:

LOT 8 AND THE NORTH 42.93 FEET OF LOT 9 AND THE SOUTH 7.07 FEET OF LOT 7, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

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PARCEL NO. 3:

THE NORTH 42.87 FEET OF LOT 20 AND THE SOUTH 7.13 FEET OF LOT 19, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE

VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 A 55438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 4:

THE NORTH 42.87 FEET OF LOT 19 AND THE SOUTH 7.13 FEET OF LOT 18, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

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PARCEL NO. 5:

THE SOUTH 7.07 FEET OF LOT 9 AND ALL OF LOTS 10 AND 11, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

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APN: 192-031-10

APN: 192-031-11

APN: 192-031-12

APN: 192-031-13

APN: 192-031-14

Fire Station No. 71:

THAT PORTION OF BLOCK 17 OF TRACT NO. 2266, FONTANA, TOWNSITE, IN THE CITY OF FONTANA, PER MAP RECORDED IN BOOK 32, PAGES 43 THROUGH 53, INCLUSIVE, RECORDS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF SAID BLOCK 17, SAID POINT BEING SOUTH 89°44'00" WEST, 862.67 FEET OF THE SOUTHEAST CORNER OF

SAID BLOCK 17; THENCE NORTH 00°14'00" WEST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 247.57 FEET; THENCE NORTH 89°23'47" EAST, 240.55 FEET; THENCE SOUTH 00°14'00" EAST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 248.98 FEET TO THE SOUTHERLY LINE OF SAID BLOCK 17; THENCE SOUTH 89°44'00" WEST ALONG SAID SOUTHERLY LINE, 240.55 FEET TO THE POINT OF BEGINNING.

APN: 0192-042-26

APN: 0192-042-27

Fire Protection District Training Facility

THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 1 NORTH, RANGE 6 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 35;
THENCE ALONG THE NORTH LINE OF SAID SECTION 35, SOUTH 89°55'12" EAST, 950.74 FEET TO THE NORTHWESTERLY LINE OF THE LAND CONVEYED IN A DEED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN RECORDED JULY 31, 1991 AS INSTRUMENT NO. 91-290525, OFFICIAL RECORDS;
THENCE ALONG SAID NORTHWESTERLY LINE SOUTH 44° 23' 30" WEST, 579.12 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING SOUTH 44° 23' 30" WEST, 663.27 FEET;
THENCE NORTH 43° 47' 30" WEST, 31.95 FEET;
THENCE NORTH 00° 01' 56" EAST, 363.73 FEET;
THENCE NORTH 79° 49' 49" EAST, 493.66 FEET TO THE TRUE POINT OF BEGINNING.

APN: 0228-021-46

Fire Station No. 81

LOT E OF TRACT NO. 20213-1, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, AS PER MAP FILED ON JULY 9, 2019, IN BOOK 353, PAGES 55 THROUGH 60, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM 1/2 INTEREST IN AND TO ALL OIL, MINERALS, ASPHALTUM AND HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE OF SAID LAND, AS RESERVED IN THE DEED FROM JAMES R. JOHNSON AND MILDRED E. JOHNSON, HUSBAND AND WIFE TO BERRY INVESTMENT CORPORATION, RECORDED NOVEMBER 25, 1957 IN BOOK 4376, PAGE 206 OF OFFICIAL RECORDS.

APN: 0239-932-37

RECORDING REQUESTED BY:
Fontana Public Facilities Financing Authority

AND WHEN RECORDED RETURN TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Vanessa S. Legbandt, Esq.

[Space above for Recorder's use.]

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11921 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

THE GRANTOR AND THE GRANTEE ARE GOVERNMENTAL AGENCIES.

GROUND LEASE

by and between

CITY OF FONTANA

and

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

Dated as of November 1, 2021

Relating to

**\$ _____
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

GROUND LEASE

THIS GROUND LEASE (this “Ground Lease”), executed and entered into as of November 1, 2021, is by and between the CITY OF FONTANA (the “City”), a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California, as lessor, and the FONTANA PUBLIC FACILITIES FINANCING AUTHORITY (the “Authority”), a joint exercise of powers entity duly organized and existing under the laws of the State of California, as lessee.

WITNESSETH:

WHEREAS, the City previously financed a portion of the costs of the acquisition, construction and installation of certain public capital improvements in the City including Fire Station No. 71, as more fully described in the proceedings for the issuance of the 2010 Bonds (defined below) (the “2010 Project”);

WHEREAS, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the 2010 Project through issuance by the Fontana Public Financing Authority of its 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “2010 Bonds”), payable from certain lease payments to be made by the City under a lease agreement;

WHEREAS, the City and the Authority desire to finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Fire Protection District Training Facility located on the site of future Fire Station No. 80 (collectively, the “2021 Project”; and, together with the 2010 Project, the “Project”);

WHEREAS, the City and Authority desire to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the “Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A” (the “Series 2021A Bonds”) for the purpose of refinancing the 2010 Project, the 2010 Bonds and the City’s related lease payments, and financing the 2021 Project;

WHEREAS, in order to facilitate the issuance of the Series 2021A Bonds, the City will lease certain real property and the improvements located thereon (the “Property”) to the Authority pursuant to this Ground Lease, dated as of the date hereof, and the City will sublease the Property back from the Authority pursuant to the Lease Agreement (the “Lease Agreement”);

WHEREAS, the Property is more particularly described in Exhibit A hereto;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project through the issuance by the Authority of the Series 2021A Bonds payable from the base rental payments (the “Base Rental Payments”) to be made by the City under the Lease Agreement;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide for the issuance of such bonds payable from the Base Rental Payments pursuant to an Indenture, dated as of the date hereof, by and among the Authority, the City and U.S. Bank National Association, as trustee (the “Trustee”);

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

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 Ground 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 Ground Lease;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Except as otherwise defined herein, or unless the context clearly otherwise requires, words and phrases defined in Article I of the Lease Agreement shall have the same meaning in this Ground Lease.

ARTICLE II

LEASE OF THE PROPERTY; RENTAL

Section 2.01 Lease of Property. The City hereby leases to the Authority, and the Authority hereby leases from the City, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of this Ground Lease.

Section 2.02 Rental. The Authority shall pay to the City as and for rental of the Property hereunder, the sum of \$1.00, the receipt of which is hereby acknowledged.

ARTICLE III

QUIET ENJOYMENT

The parties intend that the Property will be leased back to the City pursuant to the Lease Agreement for the term thereof. It is further intended that, to the extent provided herein and in the Lease Agreement, if an event of default occurs under the Lease Agreement, the Authority, or its assignee, will have the right, for the then remaining term of this Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. Subject to any rights the City may have under the Lease Agreement (in the absence of an event of default) to possession and enjoyment of the Property, the City hereby covenants and agrees that it will not take any action to prevent the Authority from having quiet and peaceable possession and enjoyment of the Property during the term

hereof and will, at the request of the Authority and at the City's cost, to the extent that it may lawfully do so, join in any legal action in which the Authority asserts its right to such possession and enjoyment.

ARTICLE IV

SPECIAL COVENANTS AND PROVISIONS

Section 4.01 Waste. The Authority agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Section 4.02 Further Assurances and Corrective Instruments. The City and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Ground Lease, the Indenture and the Lease Agreement.

Section 4.03 Waiver of Personal Liability. All liabilities under this Ground Lease on the part of the Authority shall be solely liabilities of the Authority as a joint exercise of powers entity, and the City hereby releases each and every director, officer and employee of the Authority of and from any personal or individual liability under this Ground Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under this Ground Lease to the City or to any other party whomsoever for anything done or omitted to be done by the Authority hereunder.

All liabilities under this Ground Lease on the part of the City shall be solely liabilities of the City as a public corporation, and the Authority hereby releases each and every member, officer and employee of the City of and from any personal or individual liability under this Ground Lease. No member, officer or employee of the City shall at any time or under any circumstances be individually or personally liable under this Ground Lease to the Authority or to any other party whomsoever for anything done or omitted to be done by the City hereunder.

Section 4.04 Taxes. The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Section 4.05 Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Section 4.06 Representations of the City. The City represents and warrants to the Authority and the Trustee as follows:

(a) the City has the full power and authority to enter into, to execute and to deliver this Ground Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution of this Ground Lease;

(b) except for Permitted Encumbrances, the Property 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 Property for governmental purposes as contemplated by the City;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the City in order for the City to perform its governmental functions.

Section 4.07 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 Ground Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution and delivery of this Ground Lease.

ARTICLE V

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 5.01 Assignment and Subleasing. This Ground Lease may be sold or assigned and the Property subleased, as a whole or in part, by the Authority without the necessity of obtaining the consent of the City, if an event of default occurs under the Lease Agreement. The Authority shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the City a true and correct copy of such assignment, sale or sublease, as the case may be.

Section 5.02 Restrictions on City. The City agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of this Ground Lease.

ARTICLE VI

TERM; TERMINATION

Section 6.01 Term. The term of this Ground Lease shall commence as of the date of commencement of the term of the Lease Agreement and shall remain in full force and effect from such date to and including November 1, 2051, unless such term is extended or sooner terminated as hereinafter provided. Notwithstanding the foregoing, the term of this Ground Lease shall automatically terminate on November 1, 2042 with respect to the portion of the Property designated as Fire Station No. 71 on Exhibit A hereto.

Section 6.02 Extension; Early Termination. If, on November 1, 2051, the Bonds shall not be fully paid, or provision therefor made in accordance with Article X of the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement shall have been abated at any time, then the term of this Ground Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with Article X of the Indenture, and the Indenture shall be discharged by its terms, except that the term of this Ground Lease shall in no event be extended more than ten years. If, prior to November 1, 2051, all Bonds shall be fully paid, or provisions therefor made in accordance with Article X of the Indenture, and the Indenture shall be discharged by its terms, the term of this Ground Lease shall end simultaneously therewith.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Binding Effect. This Ground Lease shall inure to the benefit of and shall be binding upon the City, the Authority and their respective successors and assigns.

Section 7.02 Severability. In the event any provision of this Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.03 Amendments, Changes and Modifications. This Ground Lease may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Lease Agreement.

Section 7.04 Assignment to Trustee. The Authority and City acknowledge that the Authority has assigned its right, title and interest in and to this Ground Lease (but none of its obligations and none of its rights to provide consents or approvals hereunder) to the Trustee pursuant to certain provisions of the Assignment Agreement. The City consents to such assignment.

Section 7.05 Execution In Counterparts. This Ground Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.06 Applicable Law. This Ground Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 7.07 [2021 Insurer as Third Party Beneficiary. The 2021 Insurer is recognized as and shall be deemed to be a third party beneficiary of this Ground Lease and may enforce the provisions of this Ground Lease as if it were a party hereto.]

Section 7.08 Captions. The captions or headings in this Ground Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Ground Lease.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CITY OF FONTANA

By: _____
Mark Denny
City Manager

ATTEST:

Tonia Lewis
City Clerk

FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY

By: _____
Mark Denny
Executive Director

ATTEST:

Tonia Lewis
Secretary

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the Property conveyed under the foregoing to the City of Fontana, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and the laws of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the City Council of the City of Fontana, pursuant to authority conferred by resolution of the said City Council adopted on September 28, 2021, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____, 2021

CITY OF FONTANA

By: _____
Mark Denny
City Manager

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)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 NOTARY PUBLIC

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)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 NOTARY PUBLIC

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Ben L. Abernathy Police Facility

PARCEL NO. 1:

THE SOUTH 7.13 FEET OF LOT 20, ALL OF LOT 21, AND THE NORTH 42.67 FEET OF LOT 22, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 2:

LOT 8 AND THE NORTH 42.93 FEET OF LOT 9 AND THE SOUTH 7.07 FEET OF LOT 7, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 3:

THE NORTH 42.87 FEET OF LOT 20 AND THE SOUTH 7.13 FEET OF LOT 19, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE

VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 A 55438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 4:

THE NORTH 42.87 FEET OF LOT 19 AND THE SOUTH 7.13 FEET OF LOT 18, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 5:

THE SOUTH 7.07 FEET OF LOT 9 AND ALL OF LOTS 10 AND 11, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

APN: 192-031-10

APN: 192-031-11

APN: 192-031-12

APN: 192-031-13

APN: 192-031-14

Fire Station No. 71:

THAT PORTION OF BLOCK 17 OF TRACT NO. 2266, FONTANA, TOWNSITE, IN THE CITY OF FONTANA, PER MAP RECORDED IN BOOK 32, PAGES 43 THROUGH 53, INCLUSIVE, RECORDS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF SAID BLOCK 17, SAID POINT BEING SOUTH 89°44'00" WEST, 862.67 FEET OF THE SOUTHEAST CORNER OF

SAID BLOCK 17; THENCE NORTH 00°14'00" WEST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 247.57 FEET; THENCE NORTH 89°23'47" EAST, 240.55 FEET; THENCE SOUTH 00°14'00" EAST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 248.98 FEET TO THE SOUTHERLY LINE OF SAID BLOCK 17; THENCE SOUTH 89°44'00" WEST ALONG SAID SOUTHERLY LINE, 240.55 FEET TO THE POINT OF BEGINNING.

APN: 0192-042-26

APN: 0192-042-27

Fire Protection District Training Facility

THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 1 NORTH, RANGE 6 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 35;
THENCE ALONG THE NORTH LINE OF SAID SECTION 35, SOUTH 89°55'12" EAST, 950.74 FEET TO THE NORTHWESTERLY LINE OF THE LAND CONVEYED IN A DEED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN RECORDED JULY 31, 1991 AS INSTRUMENT NO. 91-290525, OFFICIAL RECORDS;
THENCE ALONG SAID NORTHWESTERLY LINE SOUTH 44° 23' 30" WEST, 579.12 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING SOUTH 44° 23' 30" WEST, 663.27 FEET;
THENCE NORTH 43° 47' 30" WEST, 31.95 FEET;
THENCE NORTH 00° 01' 56" EAST, 363.73 FEET;
THENCE NORTH 79° 49' 49" EAST, 493.66 FEET TO THE TRUE POINT OF BEGINNING.

APN: 0228-021-46

Fire Station No. 81

LOT E OF TRACT NO. 20213-1, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, AS PER MAP FILED ON JULY 9, 2019, IN BOOK 353, PAGES 55 THROUGH 60, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM 1/2 INTEREST IN AND TO ALL OIL, MINERALS, ASPHALTUM AND HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE OF SAID LAND, AS RESERVED IN THE DEED FROM JAMES R. JOHNSON AND MILDRED E. JOHNSON, HUSBAND AND WIFE TO BERRY INVESTMENT CORPORATION, RECORDED NOVEMBER 25, 1957 IN BOOK 4376, PAGE 206 OF OFFICIAL RECORDS.

APN: 0239-932-37

ESCROW AGREEMENT (2010 BONDS)

THIS ESCROW AGREEMENT, dated as of November 1, 2021, by and among the City of Fontana (the “City”), the Fontana Public Financing Authority (the “Authority”) and U.S. Bank National Association, acting in its capacity as escrow bank (the “Escrow Bank”) pursuant to this Escrow Agreement (2010 Bonds) (the “Agreement”) and as 2010 Trustee (as defined below);

WITNESSETH:

WHEREAS, the Authority has previously caused to be issued its 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “2010 Bonds”), in the original aggregate principal amount of \$5,420,000, pursuant to an Indenture of Trust, dated as of November 1, 2010 (the “2010 Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “2010 Trustee”), of which \$4,995,000 aggregate principal amount is currently outstanding; and

WHEREAS, the City and has determined that it is in its best interests and desirable that the 2010 Bonds be redeemed and defeased; and

WHEREAS, in order to accomplish such redemption it is necessary and desirable for the City to prepay a portion of its Lease Payment obligation under that certain Lease Agreement, dated as of November 1, 2010 (the “2010 Lease Agreement”), by and between the City and the Authority, and to thereby defease the 2010 Bonds in accordance with the terms of Section 10.01 of the 2010 Indenture and Section 5.10 of the 2010 Lease Agreement; and

WHEREAS, the City and the Fontana Public Facilities Financing Authority (the “Facilities Authority”) have agreed to provide funds necessary to secure redemption and defeasance of the 2010 Bonds through the issuance by the Facilities Authority of its \$_____ aggregate principal amount Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A (the “Series 2021A Bonds”), secured in part by lease payments to be made by the City to the Facilities Authority pursuant to the Lease Agreement, dated as of November 1, 2021, by and between the City and the Facilities Authority; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City, the Authority and the Escrow Bank agree as follows:

SECTION 1. Deposit of Moneys.

(a) The City and the Authority hereby deposit with the Escrow Bank \$_____ from the net proceeds of the Series 2021A Bonds and direct the 2010 Trustee to transfer \$_____ to the Escrow Bank from certain funds and accounts established in connection with the 2010 Bonds. Such moneys shall be held in irrevocable escrow by the Escrow Bank separate and apart from other funds of the City, the Authority, the Escrow Bank and the 2010 Trustee in a fund hereby created and established and to be known as the “Escrow Fund,” and shall be applied solely as provided in this Agreement. Such moneys are at least equal to an amount sufficient to redeem the 2010 Bonds maturing after September 1, 2021 on _____, 2021 (the “Redemption Date”) on the Redemption Date.

(b) [The Escrow Bank hereby acknowledges receipt of the opinion of Stradling Yocca Carlson & Rauth, dated _____, 2021, and relating to this Agreement with respect to the fact that the City's and the Authority's obligations under the 2010 Indenture with respect to the 2010 Bonds are defeased in the manner and to the extent provided in Section 10.01 of the 2010 Indenture and Section 5.10 of the 2010 Lease Agreement.]

SECTION 2. Use of Moneys. The Escrow Bank acknowledges receipt of the moneys described in Section 1 and agrees:

- (a) to deposit such moneys in the Escrow Fund; and
- (b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

SECTION 3. Payment of 2010 Bonds.

(a) Payment. The Escrow Bank shall transfer from the Escrow Fund to the 2010 Trustee amounts sufficient to pay on the Redemption Date the redemption price of the 2010 Bonds maturing on and after the Redemption Date (as described in Schedule A attached hereto). The 2010 Trustee is hereby directed apply such moneys to redeem the 2010 Bonds on the Redemption Date.

(b) Unclaimed Moneys. Any moneys which remain unclaimed for two (2) years after the Redemption Date, shall, at the written request of the City, be repaid by the Escrow Bank to the City; provided, however, that the Escrow Bank shall first mail a notice as more fully described in the 2010 Indenture that said moneys remain unclaimed.

(c) Priority of Payments. The holders of the 2010 Bonds shall have a first lien on the moneys in the Escrow Fund which are allowable and sufficient to pay the 2010 Bonds until such moneys are used and applied as provided in this Agreement. Any cash held in the Escrow Fund is irrevocably pledged only to the 2010 Bond holders.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Bank pursuant to the provisions of Section 1 hereof, the holders of the 2010 Bonds shall cease to be entitled to any lien, benefit or security under the 2010 Indenture.

SECTION 4. Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein.

SECTION 5. Indemnity. The City and the Authority hereby assume liability for, and hereby agree (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the City or the Authority or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein and any payment, transfer or other application of moneys or securities by

the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the City and the Authority shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the breach by the Escrow Bank of the terms of this Agreement. In no event shall the City, the Authority or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Bank.

SECTION 6. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of such moneys to accomplish the defeasance of the 2010 Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City and the Authority and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the moneys deposited in the Escrow Fund to accomplish the defeasance of the 2010 Bonds or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. In no event shall the Escrow Bank be liable for any special indirect or consequential damages. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City or the Authority. The Escrow Bank shall incur no liability for losses arising from any investment made pursuant to this Agreement. No provision of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Any company into which the Escrow Bank 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 Escrow Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Bank without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 7. Irrevocable Instructions to Provide Notice. The forms of the notices required to be mailed pursuant to Sections 4.03 and 10.03 of the Indenture and the Continuing Disclosure Agreement, dated as of November 1, 2010, between the City and the 2010 Trustee (the "Continuing Disclosure Agreement"), are substantially in the forms attached hereto as Exhibits A and B. The City and the Authority hereby irrevocably instruct the Escrow Bank to mail a notice of redemption

and a notice of defeasance of the 2010 Bonds in accordance with Sections 4.03 and 10.03 of the Indenture and Section 5(a) of the Continuing Disclosure Agreement.

SECTION 8. Amendments. This Agreement is made for the benefit of the City, the Authority and the holders from time to time of the 2010 Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Bank and the City; provided, however, but only after the receipt by the Escrow Bank of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Series 2021A Bonds and the 2010 Bonds will not be adversely affected for federal income tax purposes, that the City, the Authority and the Escrow Bank may, without the consent of, or notice to, such holders, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the 2010 Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Bank; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the 2010 Bonds or that any instrument executed hereunder complies with the conditions and provisions of this section.

SECTION 9. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2010 Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Bank pursuant to Section 3(b) of this Agreement.

SECTION 10. Compensation. The Escrow Bank shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien nor will it assert a lien whatsoever on any moneys in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Agreement.

SECTION 11. Resignation or Removal of Trustee as Escrow Bank.

(a) The Escrow Bank may resign by giving notice in writing to the City and the Authority. The Escrow Bank may be removed: (1) by: (i) filing with the City and the Authority an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of the 2010 Bonds then remaining unpaid; and (ii) the delivery of a copy of the instruments filed with the City and the Authority to the Escrow Bank; or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the City or the Authority or the holders of 5% in aggregate principal amount of the 2010 Bonds then remaining unpaid.

(b) If the position of Escrow Bank becomes vacant due to resignation or removal of the Escrow Bank or any other reason, a successor Escrow Bank may be appointed by the City and the Authority. Within one year after a vacancy, the holders of a majority in principal amount of the 2010 Bonds then remaining unpaid may, by an instrument or instruments filed with the City and the Authority, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore

appointed by the City and the Authority. If no successor Escrow Bank is appointed by the City and the Authority or the holders of such 2010 Bonds then remaining unpaid, within 45 days after any such resignation or removal, the holder of any such 2010 Bonds or any retiring Escrow Bank may apply to a court of competent jurisdiction for the appointment of a successor Escrow Bank. The responsibilities of the Escrow Bank under this Escrow Agreement will not be discharged until a new Escrow Bank is appointed and until the cash held under this Escrow Agreement is transferred to the new Escrow Bank.

SECTION 12. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City, the Authority or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 13. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 14. Governing Law. This Agreement shall be construed under the laws of the State of California.

SECTION 15. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Bank are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 16. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the City.

SECTION 17. Standard and Poor's. The City agrees to provide to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, prior notice of each amendment entered into pursuant to Section 8 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of: (i) each amendment hereto entered into pursuant to Section 8 hereof; and (ii) any action relating to severability or contemplated by Section 12 hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers.

CITY OF FONTANA

By: _____
City Manager

ATTEST:

By: _____
City Clerk

FONTANA PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

ATTEST:

By: _____
Secretary

[SIGNATURES CONTINUED ON NEXT PAGE.]

[SIGNATURE PAGE CONTINUED.]

U.S. BANK NATIONAL ASSOCIATION, as Escrow
Bank and 2010 Trustee

By: _____
Authorized Officer

SCHEDULE A

2010 Bonds

<i>Maturity Date (September 1)</i>	<i>Interest Rate</i>	<i>Par Amount</i>	<i>Redemption Date</i>	<i>Call Price</i>
2030	8.213%	\$1,200,000	[to come]	100%
2042	8.413	3,795,000	[to come]	100

EXHIBIT A

NOTICE OF DEFEASANCE OF

FONTANA PUBLIC FINANCING AUTHORITY
2010 LEASE REVENUE BONDS
(TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS)

Notice is hereby given to the owners of the outstanding bonds (the “2010 Bonds”) captioned above: (i) that there has been deposited with U.S. Bank National Association, as Escrow Bank, moneys as permitted by the Indenture of Trust, dated as of November 1, 2010 (the “2010 Indenture”), by and between the Fontana Public Financing Authority (the “Authority”) and U.S. Bank National Association, as 2010 Trustee, which, together with such other moneys deposited with the Escrow Bank, shall be sufficient and available to pay on _____, 2021 the redemption price equal to 100% aggregate principal amount of the 2010 Bonds maturing on and after _____, 2021; and (ii) that the 2010 Bonds are deemed to be paid and that the 2010 Indenture and the pledge of Lease Payments (as such term is defined in the 2010 Indenture) and other assets made under the 2010 Indenture and all covenants, agreements and other obligations of the Authority under the 2010 Indenture have ceased, terminated, become void and been completely discharged and satisfied in accordance with Section 10.01 of the 2010 Indenture.

The obligations of the City of Fontana under the Continuing Disclosure Agreement dated November 1, 2010, by and between the City of Fontana and the 2010 Trustee have terminated as of the date hereof.

No representation is made as to the correctness of the CUSIP number either as printed on any of the 2010 Bonds or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2010 Bonds.

Dated this ____ day of _____, 2021.

FONTANA PUBLIC FINANCING AUTHORITY

U.S. BANK NATIONAL ASSOCIATION
as 2010 Trustee

EXHIBIT B

CONDITIONAL NOTICE OF FULL OPTIONAL REDEMPTION

FONTANA PUBLIC FINANCING AUTHORITY
2010 LEASE REVENUE BONDS
(TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS)

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds (the “2010 Bonds”) pursuant to the Indenture of Trust, dated as of November 1, 2010, by and between the Fontana Public Financing Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “2010 Trustee”), that 2010 Bonds in the principal amount of \$[4,995,000] have been called for redemption on _____, 2021 (the “Redemption Date”). The 2010 Bonds were originally issued on July 15, 2010 and are described in the following table.

<i>CUSIP</i>	<i>Maturity (June 1)</i>	<i>Rate</i>	<i>Principal Amount</i>	<i>Redemption Price</i>
344610 BX7	2030	8.213%	\$1,200,000	100%
344610 BY5	2042	8.413	3,795,000	100

The 2010 Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount plus accrued interest to such date (the “Redemption Price”); provided, that such redemption is conditioned upon the timely delivery of the Redemption Price by the Authority to the Trustee for deposit in the Redemption Fund. The Redemption Price of the 2010 Bonds will become due and payable on the Redemption Date. Provided that moneys for redemption have been deposited with the Trustee, interest on the 2010 Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2010 Bonds will be surrendered to the 2010 Trustee.

To receive payment on the Redemption Date, owners of the 2010 Bonds should present and to surrender said 2010 Bonds on the Redemption Date at the address of the 2010 Trustee set forth below:

Delivery Instructions

U.S. Bank National Association
Global Corporate Trust
111 Fillmore Avenue E
St. Paul, Minnesota 55107

REQUIREMENT INFORMATION

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the 2010 Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

If the owner of any 2010 Bond fails to deliver such 2010 Bond to the 2010 Trustee on the Redemption Date, such 2010 Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2010 Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2010 Trustee for such payment.

Note: The Authority and the 2010 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2010 Bond. They are included solely for the convenience of the holders.

U.S. BANK NATIONAL ASSOCIATION, as 2010
Trustee

_____, 2021

RECORDING REQUESTED BY:
Fontana Public Facilities Financing Authority

AND WHEN RECORDED RETURN TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Vanessa S. Legbandt, Esq.

[Space above for Recorder's use.]

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11921 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE. THE ASSIGNOR IS A GOVERNMENTAL AGENCY.

ASSIGNMENT AGREEMENT

by and between

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of November 1, 2021

Relating to

**\$ _____
FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this “Assignment Agreement”), executed and entered into as of November 1, 2021, is by and between the FONTANA PUBLIC FACILITIES FINANCING AUTHORITY, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, as Trustee (the “Trustee”).

WITNESSETH:

WHEREAS, the City of Fontana (the “City”) previously financed a portion of the costs of the acquisition, construction and installation of certain public capital improvements in the City including Fire Station No. 71, as more fully described in the proceedings for the issuance of the 2010 Bonds (defined below) (the “2010 Project”);

WHEREAS, in order to accomplish such financing, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the 2010 Project through issuance by the Fontana Public Financing Authority of its 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “2010 Bonds”), payable from certain lease payments to be made by the City under a lease agreement;

WHEREAS, the City and Authority desire to finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Fire Protection District Training Facility located on the site of future Fire Station No. 80 (the “2021 Project”; and, together with the 2010 Project, the “Project”);

WHEREAS, the City and Authority desire to refinance all or a portion of the 2010 Project and finance all or a portion of the 2021 Project;

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the “Fontana Public Facilities Financing Authority Lease Revenue Bonds, Series 2021A” (collectively, the “Series 2021A Bonds”) for the purpose of refinancing the 2010 Project, the 2010 Bonds and the City’s related lease payments, and financing the 2021 Project;

WHEREAS, in order to facilitate the issuance of the Series 2021A Bonds, the City will lease certain real property and the improvements located thereon (the “Property”) to the Authority pursuant to a Ground Lease, dated as of the date hereof, and the City will sublease the Property back from the Authority pursuant to a Lease Agreement, dated as of the date hereof (the “Lease Agreement”);

WHEREAS, the Property is more particularly described in Exhibit A hereto;

WHEREAS, under the Lease Agreement, the City is obligated to make Base Rental Payments (as defined in the Lease Agreement) to the Authority;

WHEREAS, the Authority desires to assign without recourse certain of its rights in the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments, to the Trustee

for the benefit of the owners of the Series 2021A Bonds to be issued pursuant to the Indenture, dated as of the date hereof (the “Indenture”), by and among the Authority, the City and the Trustee;

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 Assignment Agreement 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 Assignment Agreement;

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

Section 1. Assignment. The Authority, for good and valuable consideration, the receipt of which is hereby acknowledged, does hereby sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Series 2021A Bonds, all of its right, title and interest in and to the Ground Lease and the Lease Agreement including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided, however, that the Authority shall retain its obligations under the Lease Agreement and Ground Lease, the rights to indemnification, to give approvals and consents under the Lease Agreement and the Ground Lease and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement.

Section 2. Acceptance. The Trustee hereby accepts the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Lease Agreement and the Indenture.

Section 3. Conditions. This Assignment Agreement shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

Section 4. Further Assurances. The Authority shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and for the better assuring and confirming to the Trustee, for the benefit of the owners of the Series 2021A Bonds, the rights intended to be conveyed pursuant hereto.

Section 5. Governing Law. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED EXCLUSIVELY BY THE PROVISIONS HEREOF AND BY THE LAWS OF THE STATE OF CALIFORNIA AS THE SAME FROM TIME TO TIME EXIST.

Section 6. Execution. This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Assignment Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Assignment Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above-written.

FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY

By: _____
Mark Denny
Executive Director

ATTEST:

Tonia Lewis
Secretary

[SIGNATURES CONTINUED ON NEXT PAGE.]

[SIGNATURE PAGE CONTINUED.]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Officer

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)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 NOTARY PUBLIC

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)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 NOTARY PUBLIC

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Ben L. Abernathy Police Facility

PARCEL NO. 1:

THE SOUTH 7.13 FEET OF LOT 20, ALL OF LOT 21, AND THE NORTH 42.67 FEET OF LOT 22, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 2:

LOT 8 AND THE NORTH 42.93 FEET OF LOT 9 AND THE SOUTH 7.07 FEET OF LOT 7, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 3:

THE NORTH 42.87 FEET OF LOT 20 AND THE SOUTH 7.13 FEET OF LOT 19, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE

VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 A 55438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 4:

THE NORTH 42.87 FEET OF LOT 19 AND THE SOUTH 7.13 FEET OF LOT 18, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL NO. 5:

THE SOUTH 7.07 FEET OF LOT 9 AND ALL OF LOTS 10 AND 11, BLOCK 9, FONTANA TOWNSITE, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 19, PAGES 53 AND 54 OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, CALIFORNIA.

TOGETHER WITH THOSE PORTIONS AS DESCRIBED IN THAT CERTAIN RESOLUTION NO. 86214 OF THE CITY COUNCIL OF THE CITY OF FONTANA ORDERING THE VACATION OF CITY STREET APPROVED AND ADOPTED ON THE 18TH DAY OF NOVEMBER, 1986 BY THE MAYOR OF THE CITY OF FONTANA AND RECORDED ON THE 24 DAY OF NOVEMBER, 1986 AS INSTRUMENT NO. 86-355438, OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

- APN: 192-031-10
- APN: 192-031-11
- APN: 192-031-12
- APN: 192-031-13
- APN: 192-031-14

Fire Station No. 71:

THAT PORTION OF BLOCK 17 OF TRACT NO. 2266, FONTANA, TOWNSITE, IN THE CITY OF FONTANA, PER MAP RECORDED IN BOOK 32, PAGES 43 THROUGH 53, INCLUSIVE, RECORDS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF SAID BLOCK 17, SAID POINT BEING SOUTH 89°44'00" WEST, 862.67 FEET OF THE SOUTHEAST CORNER OF

SAID BLOCK 17; THENCE NORTH 00°14'00" WEST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 247.57 FEET; THENCE NORTH 89°23'47" EAST, 240.55 FEET; THENCE SOUTH 00°14'00" EAST PARALLEL WITH THE EASTERLY LINE OF SAID BLOCK 17, 248.98 FEET TO THE SOUTHERLY LINE OF SAID BLOCK 17; THENCE SOUTH 89°44'00" WEST ALONG SAID SOUTHERLY LINE, 240.55 FEET TO THE POINT OF BEGINNING.

APN: 0192-042-26

APN: 0192-042-27

Fire Protection District Training Facility

THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 1 NORTH, RANGE 6 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 35;
THENCE ALONG THE NORTH LINE OF SAID SECTION 35, SOUTH 89°55'12" EAST, 950.74 FEET TO THE NORTHWESTERLY LINE OF THE LAND CONVEYED IN A DEED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN RECORDED JULY 31, 1991 AS INSTRUMENT NO. 91-290525, OFFICIAL RECORDS;
THENCE ALONG SAID NORTHWESTERLY LINE SOUTH 44° 23' 30" WEST, 579.12 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING SOUTH 44° 23' 30" WEST, 663.27 FEET;
THENCE NORTH 43° 47' 30" WEST, 31.95 FEET;
THENCE NORTH 00° 01' 56" EAST, 363.73 FEET;
THENCE NORTH 79° 49' 49" EAST, 493.66 FEET TO THE TRUE POINT OF BEGINNING.

APN: 0228-021-46

Fire Station No. 81

LOT E OF TRACT NO. 20213-1, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, AS PER MAP FILED ON JULY 9, 2019, IN BOOK 353, PAGES 55 THROUGH 60, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM 1/2 INTEREST IN AND TO ALL OIL, MINERALS, ASPHALTUM AND HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE OF SAID LAND, AS RESERVED IN THE DEED FROM JAMES R. JOHNSON AND MILDRED E. JOHNSON, HUSBAND AND WIFE TO BERRY INVESTMENT CORPORATION, RECORDED NOVEMBER 25, 1957 IN BOOK 4376, PAGE 206 OF OFFICIAL RECORDS.

APN: 0239-932-37

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2021**NEW ISSUE - FULL BOOK-ENTRY****S&P: “ _ ”****See “RATING” herein.**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series 2021A Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”

\$ _____ *

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

Dated: Date of Delivery**Due: November 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the “Series 2021A Bonds”) are being issued by the Fontana Public Facilities Financing Authority (the “Authority”) pursuant to the Mark-Roos Local Bond Pooling Act of 1985 and an Indenture dated as of November 1, 2021 (the “Indenture”), by and among the Authority, the City of Fontana (the “City”), and U.S. Bank National Association, as trustee (the “Trustee”).

Purpose. The proceeds of the Series 2021A Bonds will be used to (i) refinance all of the outstanding Fontana Public Financing Authority 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds), (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, and (iii) pay the costs of issuing the Series 2021A Bonds. See “FINANCING PLAN.”

Security. Under the Indenture, the Series 2021A Bonds are secured by a pledge and first lien on base rental payments (“Base Rental Payments”) to be made by the City for the lease of property under a Lease Agreement dated as of November 1, 2021, between the Authority, as lessor, and the City, as lessee, concerning the leaseback of certain real property, as described in this Official Statement. The Series 2021A Bonds are also secured by certain funds held under the Indenture. The City has covenanted under the Lease Agreement to make all scheduled Base Rental Payments, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City’s right to use and occupy any portion of the Property. No debt service reserve fund or account will be established by the Authority or the City in connection with the issuance of the Series 2021A Bonds. The Series 2021A Bonds are not subject to acceleration in the event of a payment default. See “SECURITY FOR THE SERIES 2021A BONDS” and “BOND OWNERS’ RISKS – Abatement.”

Bond Terms; Book-Entry Only. The Series 2021A Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on [May 1, 2022], and will be issued in fully-registered form without coupons in integral multiples of \$5,000. The Series 2021A Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Series 2021A Bonds will not receive certificates representing their interests in the Series 2021A Bonds. Payments of the principal of, premium, if any, and interest on the Series 2021A Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2021A Bonds. See “THE SERIES 2021A BONDS – General Provisions.”

Redemption. The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity. See “THE SERIES 2021A BONDS – Redemption.”

Bond Insurance. The Authority has applied for a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on some or all of the maturities of the Series 2021A Bonds when due. The Authority will determine whether to purchase such policies in connection with the pricing of the Series 2021A Bonds.

The Series 2021A Bonds are special obligations of the Authority, payable solely from and secured by a pledge of the Base Rental Payments and other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2021A Bonds. The obligation of the City to pay Base Rental Payments does not constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation. The Authority has no power to tax.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF ALL THE PROVISIONS OF THE SERIES 2021A BONDS. PROSPECTIVE INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2021A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the City by Best Best & Krieger LLP, as City Attorney. Certain legal matters will be passed on for the Underwriter by Kutak Rock LLP, Irvine, California. It is anticipated that the Series 2021A Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2021.

STIFEL

The date of this Official Statement is: _____, 2021

* Preliminary; subject to change.

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

\$ _____ *

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

MATURITY SCHEDULE
(Base CUSIP:† _____)

\$ _____ **Serial Bonds**

<u>Maturity Date</u> (November 1)	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
--------------------------------------	-------------------------	----------------------	--------------	--------------	---------------

\$ _____ – _____% Term Bonds due November 1, 20____; Yield _____%;
Price _____; CUSIP†: _____

\$ _____ – _____% Term Bonds due November 1, 20____; Yield _____%;
Price _____; CUSIP†: _____

* Preliminary; subject to change.

^c Priced to first optional redemption date of November 1, 20____, at par

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

[Insert location map from 2014 OS]

FONTANA PUBLIC FACILITIES FINANCING AUTHORITY

BOARD OF DIRECTORS

Acquanetta Warren, Authority Chair
Phillip Cothran, Authority Vice-Chair
Peter Garcia, Authority Member
John Roberts, Authority Member
Jesus "Jesse" Sandoval, Authority Member

_____, Interim Executive Director
Tonia Lewis, City Clerk/Authority Secretary
Janet Koehler-Brooks, City Treasurer

CITY OF FONTANA

CITY COUNCIL

Acquanetta Warren, Mayor
Phillip Cothran, Mayor Pro Tem
Peter Garcia, Council Member
John Roberts, Council Member
Jesus "Jesse" Sandoval, Council Member

STAFF

_____, Interim City Manager
Phil Burum, Deputy City Manager
[Lisa A. Strong, Management Services Director]
Janet Koehler-Brooks, City Treasurer
Tonia Lewis, City Clerk
Best Best & Krieger LLP, City Attorney

PROFESSIONAL SERVICES

BOND COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation,
Newport Beach, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

TRUSTEE AND ESCROW BANK

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series 2021A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the Authority, the City or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2021A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of Official Statement. The information set forth in this Official Statement has been furnished by the Authority, the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project”, “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the City or any other entity described or referenced herein since the date hereof.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Series 2021A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2021A Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Series 2021A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series 2021A Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2021A Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the City, the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

Website. The City maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2021A Bonds.

TABLE OF CONTENTS

<p>INTRODUCTION..... 1</p> <p style="padding-left: 20px;">General..... 1</p> <p style="padding-left: 20px;">Security for the Series 2021A Bonds; Base Rental Payments..... 2</p> <p style="padding-left: 20px;">No Reserve Fund..... 2</p> <p style="padding-left: 20px;">Application for Bond Insurance..... 3</p> <p style="padding-left: 20px;">Additional Bonds; Other Obligations..... 3</p> <p style="padding-left: 20px;">The Authority..... 3</p> <p style="padding-left: 20px;">The City; The Fire Protection District..... 3</p> <p style="padding-left: 20px;">Professionals Involved in the Offering..... 4</p> <p style="padding-left: 20px;">Forward-Looking Statements..... 4</p> <p style="padding-left: 20px;">Risk Factors..... 5</p> <p style="padding-left: 20px;">Summaries Not Definitive..... 5</p> <p>FINANCING PLAN..... 5</p> <p style="padding-left: 20px;">Refinancing of 2010 Bonds..... 5</p> <p style="padding-left: 20px;">The 2021 Project..... 5</p> <p style="padding-left: 20px;">Estimated Sources and Uses of Funds..... 6</p> <p>Base rental Payment schedule..... 7</p> <p>THE PROPERTY..... 7</p> <p style="padding-left: 20px;">Description and Location..... 7</p> <p style="padding-left: 20px;">Modification of Property..... 8</p> <p style="padding-left: 20px;">Substitution or Release of the Property..... 9</p> <p style="padding-left: 20px;">Release of Police Facility..... 10</p> <p>THE SERIES 2021A BONDS..... 11</p> <p style="padding-left: 20px;">General..... 11</p> <p style="padding-left: 20px;">Registration, Transfers and Exchanges..... 12</p> <p style="padding-left: 20px;">Redemption..... 12</p> <p style="padding-left: 20px;">Book-Entry Only System..... 14</p> <p>SECURITY FOR THE SERIES 2021A BONDS..... 14</p> <p style="padding-left: 20px;">Pledge of Base Rental Payments..... 14</p> <p style="padding-left: 20px;">Additional Bonds..... 15</p> <p style="padding-left: 20px;">Base Rental Payments..... 16</p> <p style="padding-left: 20px;">Additional Rental Payments..... 17</p> <p style="padding-left: 20px;">Abatement..... 18</p> <p style="padding-left: 20px;">Action on Default..... 18</p> <p style="padding-left: 20px;">No Reserve Fund..... 19</p> <p style="padding-left: 20px;">Insurance..... 19</p> <p>THE CITY..... 20</p> <p style="padding-left: 20px;">General..... 20</p> <p style="padding-left: 20px;">City Government and Administration..... 21</p> <p style="padding-left: 20px;">Public Health Emergency – COVID-19..... 22</p> <p>CITY FINANCIAL INFORMATION..... 24</p> <p style="padding-left: 20px;">Accounting Policies and Financial Reporting..... 24</p> <p style="padding-left: 20px;">Reserve Policy..... 25</p> <p style="padding-left: 20px;">Budget Procedure, Current Budget and Historical Budget Information..... 27</p> <p style="padding-left: 20px;">City Financial Statements..... 32</p> <p style="padding-left: 20px;">General Fund Major Revenues By Source... 35</p> <p style="padding-left: 20px;">Sales and Use Taxes..... 35</p> <p style="padding-left: 20px;">Property Taxes..... 38</p> <p style="padding-left: 20px;">Charges for Services..... 43</p> <p style="padding-left: 20px;">Franchise Taxes..... 43</p> <p style="padding-left: 20px;">Business License Taxes..... 44</p> <p style="padding-left: 20px;">Long-Term General Fund Obligations..... 44</p>	<p style="padding-left: 20px;">Overlapping Debt Statement..... 44</p> <p style="padding-left: 20px;">Employee Retirement System..... 46</p> <p style="padding-left: 20px;">Other Post-Employment Benefits..... 51</p> <p style="padding-left: 20px;">Employee Relations..... 52</p> <p style="padding-left: 20px;">Risk Management..... 52</p> <p style="padding-left: 20px;">Investment Policies and Procedures..... 53</p> <p style="padding-left: 20px;">State Budget..... 54</p> <p>THE AUTHORITY..... 54</p> <p>CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS..... 55</p> <p style="padding-left: 20px;">Limitations on Revenues..... 55</p> <p style="padding-left: 20px;">Statutory Revenue Limitations - Proposition 62..... 58</p> <p style="padding-left: 20px;">Proposition 1A..... 58</p> <p style="padding-left: 20px;">Proposition 22..... 59</p> <p style="padding-left: 20px;">Unitary Property..... 59</p> <p style="padding-left: 20px;">Possible Future Initiatives..... 59</p> <p>BOND OWNERS' RISKS..... 60</p> <p style="padding-left: 20px;">Limited Obligations..... 60</p> <p style="padding-left: 20px;">Abatement of Lease..... 60</p> <p style="padding-left: 20px;">Limitation on Remedies..... 61</p> <p style="padding-left: 20px;">Limitation on Trustee's Obligations under the Indentures..... 61</p> <p style="padding-left: 20px;">Release of Property; Additional Bonds..... 61</p> <p style="padding-left: 20px;">Insurance on the Property..... 62</p> <p style="padding-left: 20px;">Condemnation of the Property..... 62</p> <p style="padding-left: 20px;">Value of Property..... 62</p> <p style="padding-left: 20px;">No Acceleration Upon Default..... 63</p> <p style="padding-left: 20px;">Early Prepayment Risk..... 63</p> <p style="padding-left: 20px;">Bankruptcy Risks..... 63</p> <p style="padding-left: 20px;">State Law Limitations on Appropriations..... 64</p> <p style="padding-left: 20px;">Limitations on Taxes and Fees..... 64</p> <p style="padding-left: 20px;">Additional Obligations of the City..... 64</p> <p style="padding-left: 20px;">Property Taxes..... 65</p> <p style="padding-left: 20px;">Public Health Emergencies..... 66</p> <p style="padding-left: 20px;">Certain Risks Associated with Sales Tax and Other Local Tax Revenues..... 67</p> <p style="padding-left: 20px;">Increasing Retirement Related Costs..... 68</p> <p style="padding-left: 20px;">Hazardous Substances..... 68</p> <p style="padding-left: 20px;">Natural Hazards..... 68</p> <p style="padding-left: 20px;">Climate Change..... 70</p> <p style="padding-left: 20px;">Cyber Security..... 70</p> <p style="padding-left: 20px;">Litigation..... 70</p> <p style="padding-left: 20px;">Secondary Market for Bonds..... 71</p> <p>TAX MATTERS..... 71</p> <p>CERTAIN LEGAL MATTERS..... 72</p> <p>LITIGATION..... 73</p> <p>RATING..... 73</p> <p>CONTINUING DISCLOSURE..... 74</p> <p>UNDERWRITING..... 75</p> <p>MUNICIPAL ADVISOR..... 75</p> <p>EXECUTION..... 75</p>
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TABLE OF CONTENTS

(continued)

APPENDIX A -	DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF FONTANA AND COUNTY OF SAN BERNARDINO
APPENDIX B -	SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS
APPENDIX C -	COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020
APPENDIX D -	PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX E -	FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX F -	DTC AND THE BOOK-ENTRY ONLY SYSTEM

OFFICIAL STATEMENT

\$ _____*

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the “**Series 2021A Bonds**”) by the Fontana Public Facilities Financing Authority (the “**Authority**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Indenture (as defined below).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2021A Bonds to potential investors is made only by means of the entire Official Statement.

General

The Authority will issue the Series 2021A Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “**Act**”), and an Indenture (the “**Indenture**”) dated as of November 1, 2021, by and among the Authority, the City of Fontana (the “**City**”) and U.S. Bank National Association, as trustee (the “**Trustee**”). Capitalized terms not defined elsewhere in this Official Statement have the meanings assigned to such terms in Appendix B – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

The Series 2021A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Purchasers will not receive certificates representing their interest in the Series 2021A Bonds. Individual purchases will be in integral multiples of \$5,000. Principal of and interest on the Series 2021A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2021A Bonds. See the caption “THE SERIES 2021A BONDS – Book-Entry Only System.”

The Series 2021A Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described in this Official Statement. See the caption “THE SERIES 2021A BONDS – Redemption.”

* Preliminary; subject to change.

The Series 2021A Bonds are being issued to provide funds to: (i) refinance all of the outstanding Fontana Public Financing Authority 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds) (the “**2010 Bonds**”), which are outstanding in the aggregate principal amount of \$4,995,000; (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, including a new Fire Station No. 81 and a Training Facility located on the site of future Fire Station No. 80 (the “**2021 Project**”); and (iii) to pay the costs of issuing the Series 2021A Bonds. See “FINANCING PLAN.”

Security for the Series 2021A Bonds; Base Rental Payments

Under the Indenture, the Series 2021A Bonds are secured by a pledge and first lien on base rental payments (the “**Base Rental Payments**”) to be made by the City for the right to use certain real property and improvements (the “**Property**”) pursuant to a Lease Agreement dated as of November 1, 2021 (the “**Lease Agreement**”), between the City, as lessee, and the Authority, as lessor.

Pursuant to a Ground Lease, dated as of November 1, 2021 (the “**Ground Lease**”), the City will lease the Property to the Authority. The Authority will sublease the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority will enter into an Assignment Agreement, dated as of November 1, 2021 (the “**Assignment Agreement**”), pursuant to which the Authority will assign to the Trustee for the benefit of the Bond Owners substantially all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The City covenants under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described in this Official Statement.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupy the Property or any portion thereof. See “SECURITY FOR THE SERIES 2021A BONDS – Abatement” and “BOND OWNERS’ RISKS – Abatement.” Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Series 2021A Bonds. To the extent that moneys in any of the funds and accounts established under the Indenture or proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

No Reserve Fund

The Authority will not establish a debt service reserve fund for the Series 2021A Bonds.

Application for Bond Insurance

The Authority has applied for a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on some or all of the maturities of the Series 2021A Bonds when due. The Authority will determine whether to purchase such policies in connection with the pricing of the Series 2021A Bonds. Should the Authority select a provider for such policies, then the Authority will include a summary of the terms of such policies in the final Official Statement.

Limited Obligation

THE SERIES 2021A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE BASE RENTAL PAYMENTS AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2021A BONDS.

THE OBLIGATION OF THE CITY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO POWER TO TAX.

Additional Bonds; Other Obligations

Under the Lease Agreement, the Authority may issue additional bonds (the “**Additional Bonds**”) payable from Base Rental Payments on a parity basis with the Series 2021A Bonds. The Series 2021A Bonds and any Additional Bonds are collectively referred to in this Official Statement as the “**Bonds**.” See the caption “SECURITY FOR THE SERIES 2021A BONDS – Additional Bonds.” The Lease Agreement does not limit the City’s right to incur additional obligations payable from its General Fund. The City has existing obligations payable from its General Fund. See “CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations” for a description of such obligations.

The Authority

The Authority is a joint exercise of powers authority organized and existing pursuant to the Act and a Joint Exercise of Powers Agreement, dated as of September 1, 2014. Its members are the City and the Fontana Fire Protection District (the “**Fire Protection District**”). See “THE AUTHORITY.”

The City; The Fire Protection District

The City was incorporated on June 25, 1952 under the General Laws of the State of California (the “**State**”) in the County of San Bernardino (the “**County**”). The City is located approximately 50 miles east of Los Angeles, and approximately 10 miles west of the cities of

Riverside and San Bernardino and encompasses approximately 42.4 square miles. The City currently has an estimated population of approximately 214,000 persons.

The Fire Protection District serves the City and its sphere of influence. It was created effective July 1, 2008 to provide fire suppression, emergency medical, fire prevention and education services within the City limits and unincorporated area within the City's sphere of influence. The District is served by seven fire stations. Emergency response, administrative and support services are provided through a contract under the umbrella of the San Bernardino County Fire Department. The members of the City Council serve as the governing board of the Fire Protection District. All obligations of the Authority under the Indenture are special obligations of the Authority, payable solely from Rental Payments and the other assets pledged under the Indenture, as described herein. The Fire Protection District is not contractually obligated to make any such payments nor are any of its assets pledged as security for the Series 2021A Bonds under the Indenture. However, the City expects that the Fire Protection District will reimburse the City for Rental Payments on an annual basis. See "SECURITY FOR THE SERIES 2021A BONDS."

Professionals Involved in the Offering

CSG Advisors Incorporated, San Francisco, California, has acted as municipal advisor to the Authority and the City (the "**Municipal Advisor**"). U.S. Bank National Association, Los Angeles, California, will act as Trustee with respect to the Series 2021A Bonds and as Escrow Bank with respect to the 2010 Bonds. Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), is underwriting the Series 2021A Bonds.

All proceedings in connection with the issuance of the Series 2021A Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by Best Best & Krieger LLP, Riverside, California, in its capacity as City Attorney, and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California, as Underwriter's Counsel. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the Series 2021A Bonds.*

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City is not obligated to issue any updates or revisions to the forward-looking statements if, or when, its expectations, or events, conditions or circumstances on which such statements are based change.

Risk Factors

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption “BOND OWNERS’ RISKS” for a discussion of certain factors that should be considered, in addition to other matters that are set forth in this Official Statement, in evaluating an investment in the Series 2021A Bonds.

Summaries Not Definitive

The summaries of and references to documents, statutes, reports and other instruments in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by the complete document, statute, report or instrument. Copies of the documents described in this Official Statement will be available at the office of the Management Services Director, City of Fontana, 8353 Sierra Avenue, Fontana, California 92335.

FINANCING PLAN

Refinancing of 2010 Bonds

The Fontana Public Financing Authority (the “**Financing Authority**”) issued the 2010 Bonds, which are currently outstanding in the aggregate principal amount of \$4,995,000, pursuant to an Indenture of Trust, dated as of November 1, 2010 (the “**2010 Indenture**”), by and between the Financing Authority and U.S. Bank National Association, as trustee (the “**2010 Trustee**”). The 2010 Bonds are payable from lease payments made under a Lease Agreement, dated as of November 1, 2010 (the “**2010 Lease**”), by and between the City and the Fontana Public Financing Authority. The City plans to apply a portion of the proceeds of the Series 2021A Bonds to refund all of the outstanding 2010 Bonds on _____, 2021 (the “**Redemption Date**”) at a redemption price equal to the outstanding principal amount of the 2010 Bonds, plus accrued interest to such date, without premium.

Under an Escrow Agreement (2010 Bonds), dated as of November 1, 2021 (the “**2010 Escrow Agreement**”), by and among the City, the Financing Authority and the U.S. Bank National Association, as escrow bank (the “**Escrow Bank**”) and as 2010 Trustee, the City will deliver a portion of the proceeds of the Series 2021A Bonds to the Escrow Bank for deposit in the escrow fund established under the 2010 Escrow Agreement (the “**2010 Escrow Fund**”). The Escrow Bank will hold the amounts so deposited in the 2010 Escrow Fund uninvested. From the moneys on deposit in the 2010 Escrow Fund, the Escrow Bank will pay on the Redemption Date the principal of the outstanding 2010 Bonds, plus interest accrued to such date, without premium. The moneys delivered to the Escrow Bank to redeem the 2010 Bonds are pledged solely to the redemption of such 2010 Bonds. Neither such moneys nor any related interest will be available for the payments of principal of and interest on the Series 2021A Bonds.

The 2021 Project

The 2021 Project consists of a new Fire Station No. 81 and a Training Facility (the “**Fire Protection District Training Facility**”) located on the site of future Fire Station No. 80.

Fire Station No. 81. Fire Station No. 81 is anticipated to be located at the intersection of Sierra Avenue and Casa Grande in the northern end of the City limits. When completed, Fire Station No. 81 is anticipated to consist of approximately 13,247 square feet. Fire Station No. 81

will be constructed in an effort to meet a goal of providing fire response times in the Fire Protection District of less than five minute response time 90% of the time. Construction of Fire Station No. 81 is anticipated to begin in January 2022 and to be completed in December 2022. Total construction costs of Fire Station No. 81 are estimated at approximately \$12 million all of which will be financed with proceeds of the Series 2021A Bonds.

Fire Protection District Training Facility. The Fire Protection District Training Facility is anticipated to be located on the site of future Fire Station No. 80, on Cherry Avenue between State Route 210 and South Highland Avenue in the northwest end of the City limits. The Fire Protection District Training Facility and Fire Station No. 80 will be constructed in two phases. The first phase will consist of the design, environmental review and construction of the Fire Protection District Training Facility. The second phase will consist of construction of Fire Station No. 81. When completed, the Fire Protection District Training Facility is anticipated to consists of approximately 3,500 square feet, including a 50 seat training classroom, a training tower, office space and storage. Construction of the Fire Protection District Training Facility is anticipated to begin in April 2022 and to be completed in March 2023. Total construction costs of the Fire Protection District Training Facility are estimated at approximately \$10 million all of which will be financed with proceeds of the Series 2021A Bonds.

Covenant Regarding Time of Completion. In the Lease Agreement, the City has covenanted to complete the construction and equipping of the 2021 Project on or prior to November 1, 2024, subject to excused delays pursuant to standard City procedures. It is agreed that, if the City does not cause the completion of the acquisition, construction, equipping and installation of the 2021 Project by its completion date specified above by construction contractors or a construction manager, whichever the City deems appropriate, liquidated damages will be assessed against the construction contractor for each day of unexcused delay in completion (in accordance with standard City procedure).

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2021A Bonds are as follows:

<u>Sources:</u>	<u>Amount</u>
Principal	\$
<i>Plus:</i> Available Funds Relating to 2010 Bonds	
<i>Less:</i> Underwriter's Discount	
TOTAL SOURCES	\$
<u>Uses:</u>	
Deposit to 2010 Escrow Fund ⁽¹⁾	\$
Project Fund ⁽²⁾	
Costs of Issuance ⁽³⁾	
TOTAL USES	\$

(1) To be used to refinance the outstanding 2010 Bonds pursuant to the terms of the 2010 Escrow Agreement. See "FINANCING PLAN – Refinancing of 2010 Bonds."

(2) To be used to finance the 2021 Project. See "FINANCING PLAN – The 2021 Project."

(3) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, Escrow Bank, the Municipal Advisor, rating agency fees, and printing the preliminary and final Official Statements.

BASE RENTAL PAYMENT SCHEDULE

Set forth below is a schedule of Base Rental Payments, which secure the Series 2021A Bonds, assuming no optional or extraordinary prepayments.

Base Rental Payment Date ⁽¹⁾	Principal	Interest	Total Base Rental Payments
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Total: _____

⁽¹⁾ The Base Rental Payment Date is the third Business Day of the month prior to the corresponding Interest Payment Date for the Series 2021A Bonds.

THE PROPERTY

Description and Location

Base Rental Payments will be made by the City under the Lease Agreement for the use and occupancy of the Property. The Property will initially consist of the (i) Ben L. Abernathy Police Facility (the “**Police Facility**”); (ii) Fire Station No. 71; (iii) the future site of Fire Station No. 81; and (iv) the future site of the Fire Protection District Training Facility.

The Police Facility is located at 17005 Upland Avenue in the City. It is a 70,000 square foot two-story public safety facility with one floor underground and one floor above ground located

on a 1.65 acre site adjacent to the existing City Hall and Civic Center Complex. The facility includes a helipad on the roof, a radio and telephone communication system, a color photographic lab and a basic crime lab. In addition, the facility includes a public meeting room for approximately 100 people and an emergency operations command center. The insured value of the Police Facility as of the date hereof is approximately \$20.7 million. Under the Lease Agreement, the Authority will have the right to release the Police Facility from the Lease Agreement subject to the satisfaction of certain conditions. See “THE PROPERTY – Release of Police Facility.”

Fire Station No. 71 is located on a 1.37 acres in the downtown area of the City and consists of approximately 16,000 square feet. It was built in 2012 with proceeds of the 2010 Bonds. Fire Station No. 71 houses medical and firefighting trucks. The insured value of Fire Station No. 71 as of the date hereof is approximately \$7 million.

See “FINANCING PLAN – The 2021 Project” for a description of Fire Station No. 81 and the Fire Protection District Training Facility. Fire Station No. 71, Fire Station No. 81 and the Fire Protection District Training Facility are sometimes referred to herein collectively as the “**Fire Facilities.**”

Under the Lease Agreement, the leasehold interest in Fire Station No. 71 is scheduled to terminate automatically on November 1, 2042. After such date, the leased property under the Lease Agreement will consist solely of the Police Facility, Fire Station No. 81 and the Fire Protection District Training Facility unless the City substitutes alternate real property for any portion of the Property or releases a portion of the Property from the Lease Agreement, as described below. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Under the Lease Agreement, remedies available to the Authority and the Trustee to collect amounts due from the City do not include the right to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable . See “SECURITY FOR THE SERIES 2021A BONDS – Default; Remedies” below and “BOND OWNERS’ RISKS – Limitation on Remedies.”

Modification of Property

General. Under the Lease Agreement, subject to covenant relating to liens in the Lease Agreement as described in the subcaption “– *Covenant Regarding Liens*” below, the City and any sublessee, at its own expense, or with the proceeds of Additional Bonds, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. All such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way cause an abatement of Rental Payments with respect to the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest on the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds); and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall have an annual fair rental value which is not less than the annual Rental Payments.

Subject to covenant relating to liens in the Lease Agreement as described in the subcaption “– *Covenant Regarding Liens*” below, the City and any sublessee, at its own expense,

or with the proceeds of Additional Bonds, have the right to make replacements, redevelopment or renovation of all or a portion of the Property if the following conditions precedent are satisfied:

- (i) The City receives an opinion of Bond Counsel, a copy of which the City shall furnish to the Authority and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest with respect to the Bonds and Additional Bonds (to the extent such Additional Bonds were issued as tax exempt Bonds), and (2) the Lease Agreement will remain the legal, valid, binding and enforceable obligation of the City;
- (ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Rental Payments as provided in the Lease Agreement the City shall have notified any rating agency then providing a rating on the Bonds and shall deposit moneys with the Trustee in advance for payment of Rental Payments from the proceeds of Additional Bonds or from special funds of the City or other moneys, the application of which would not, in the opinion of Bond Counsel (a copy of which shall have been delivered to the Trustee), result in such Rental Payments constituting indebtedness of the City in contravention of the Constitution and laws of the State; and
- (iii) The City shall certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation.

Covenant Regarding Liens. In the event the City shall at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, 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 Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each 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 as long as such contestment is in good faith. 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.

Substitution or Release of the Property

Under the Lease Agreement, the City has the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the City. Notwithstanding any substitution or release of Property, there shall be no reduction in or abatement of the Base Rental Payments due from the City under the Lease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property is subject to the satisfaction of the conditions precedent set forth in the Lease Agreement, which include (among others) the following:

- the City shall have found that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base

Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

- the City shall have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Lease Agreement;
- the City shall have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;
- the City, the Authority and the Trustee shall have executed, and the City shall have caused to be recorded with the San Bernardino County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained herein and in the Ground Lease;
- no Event of Default (within the meaning of the Lease Agreement) has occurred and is continuing; and
- the City shall certify to the Trustee that any substitution shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Release of the Police Facility

Release Prior to Completion of 2021 Project. Without satisfying the requirements in the Lease Agreement for the release of the Property that are summarized under the caption “– Substitution or Release of Property” above and without regard to the requirements in the Lease Agreement for the release of the Police Facility that are summarized under the subcaption “– Release After Completion of 2021 Project” below, the Authority may provide for release and deletion of the Police Facility portion of the Property (the “**Released Portion**”) prior to completion of the 2021 Project from the Property such that the Fire Facilities constitute the Remaining Portion (the “**Remaining Portion**”), provided that the City shall satisfy the following conditions precedent:

- the City shall certify in writing to the Trustee and to the Authority that the construction contract and other arrangements for the construction of the 2021 Project comply with the requirements of the Lease Agreement, and that the City has deposited such amount, if any, to the Project Fund to cause the amount on deposit therein to equal the remaining estimated cost of the 2021 Project, including the City’s planned contingency amount, and has deposited sufficient moneys into the Principal Fund and Interest Fund maintained under the Indenture to pay all principal and interest payments scheduled to come due on the Bonds through the date that is six months following the completion date for the 2021 Project; and

- the City and the Authority shall file with the Trustee a copy of an amended Exhibit A and B to the Lease Agreement which deletes the Police Facility from the Lease Agreement (the “**Lease Supplement**”); and
- the City shall provide to S&P at least 21 days prior written notice of the City’s intention to cause the release of the Police Facility from the Lease Agreement, together with a copy of the Lease Supplement described above.

Release After Completion of 2021 Project. Without satisfying the requirements in the Lease Agreement for the release of the Property that are summarized under the caption “– Substitution or Release of Property” above and without regard to the requirements in the Lease Agreement for the release of the Police Facility that are summarized under the subcaption “– Release Prior to Completion of 2021 Project” above, the Authority may provide for release and deletion of the Police Facility portion of the Property from the Property after the completion of the 2021 Project such that the Fire Facilities constitutes the Remaining Portion, provided that the City shall satisfy the following conditions precedent:

- the City shall file with the Authority and the Trustee a copy of a Lease Supplement which deletes the Police Facility from the Lease Agreement; and
- the City shall have delivered the Completion Certificate to the Trustee described in the Lease Agreement.

Effect of Release. Upon the satisfaction of all the conditions in the Lease Agreement for the release of the Police Facility, the Lease Agreement shall thereupon end as to the Released Portion and shall thereupon continue as to the Remaining Portion, and the Police Facility shall be released from the Lease Agreement and no longer form part of the Property thereunder without further act or deed of the City, the Authority, or the Trustee. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of such deletion.

See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

THE SERIES 2021A BONDS

General

The Series 2021A Bonds will be issued in fully registered form without coupons in denominations of integral multiples of \$5,000. The Series 2021A Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page. Interest on the Series 2021A Bonds will be paid semiannually on [May 1, 2022] and each December 1 and May 1 thereafter (each, an “**Interest Payment Date**”).

Interest on the Series 2021A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2021A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2021A Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable

from the dated date thereof, or (iii) interest on any Series 2021A Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2021A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Except when the Series 2021A Bonds are held in book-entry form, interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2021A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2021A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

Registration, Transfers and Exchanges

The Series 2021A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2021A Bonds (the “**Beneficial Owners**”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2021A Bonds. See “– Book-Entry Only System” below.

Redemption*

Optional Redemption. The Series 2021A Bonds maturing on or after November 1, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after November 1, 20__, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2021A Bonds shall be subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund, at a Redemption Price equal to the principal amount of the Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Sinking Fund Redemption. The Series 2021A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

* Preliminary; subject to change.

**Sinking Fund Redemption Date
(November 1)**

**Principal Amount
To Be Redeemed**
\$_____

(maturity)

The Series 2021A Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each November 1 on and after November 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

**Sinking Fund Redemption Date
(November 1)**

**Principal Amount
To Be Redeemed**
\$_____

(maturity)

Selection of Bonds for Redemption. Whenever provision is made in the 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 (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, (b) with respect to any redemption pursuant to the Indenture and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

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 at 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. 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 Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the 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 date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Such notice of redemption may also state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, 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 in authorized denominations

equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Redemption. Notice having been mailed as described above, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

Book-Entry Only System

The Series 2021A Bonds are registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2021A Bonds. Ownership interests in the Series 2021A Bonds may be purchased in book-entry form only. So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Series 2021A Bonds, all payments on the Series 2021A Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants, as more fully described in Appendix F.

As long as Cede & Co. is the registered owner of the Series 2021A Bonds, references herein to the Owners of the Series 2021A Bonds will refer to Cede & Co. and not to the Beneficial Owners. Neither the Authority nor the City gives any assurance that DTC, DTC Participants nor others will distribute payments with respect to the Series 2021A Bonds nor notices concerning the Series 2021A Bonds to the Beneficial Owners or that DTC will otherwise serve and act in the manner described in this Official Statement. See Appendix F for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

SECURITY FOR THE SERIES 2021A BONDS

Pledge of Base Rental Payments

The Series 2021A Bonds are payable from and secured by the Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds.

The Authority, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the Series 2021A Bond Owners all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided

that the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See the caption “– Base Rental Payments.”

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on parity with the Series 2021A Bonds. See the caption “– Additional Bonds.”

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

All obligations of the Authority under the Indenture are special obligations of the Authority, payable solely from Rental Payments and the other assets pledged under the Indenture; provided, however, that all obligations of the Authority under the Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Additional Bonds

The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2021A Bonds) payable from Base Rental Payments on a parity with all other Bonds issued under the Indenture, but only subject to the following conditions precedent:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following: (1) the application of the proceeds of the sale of such Additional Bonds; (2) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds; (3) the date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on November 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 November 1, (ii) the Additional Bonds shall be payable as to interest semiannually on May 1 and November 1 of each year, except that the first installment of interest may be payable on either May 1 or November 1 and shall be for a period of not longer than twelve months and the interest shall be payable thereafter semiannually on May 1 and November 1, (iii) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) 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; (4) the redemption premiums and terms, if any, for such Additional Bonds; (5) the form of such Additional Bonds; and (6) if a reserve fund is to be established and maintained for such Series of Additional Bonds, the applicable reserve requirement and the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in such reserve

fund to be held as separate security for such Series of Additional Bonds; (7) designate accounts in the Interest Fund, the Principal Fund, the Redemption Fund, the Rebate Fund and the reserve fund (if any) to be applicable to such Additional Bonds; and (8) such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof, including the establishment of a capitalized interest fund for the Additional Bonds, if appropriate;

(b) The Authority shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(c) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(d) The Ground Lease shall have been amended, to the extent necessary, and the Lease Agreement shall have been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the timely payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment shall be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period shall be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition shall be made by a Written Certificate of the City).

Nothing in the Indenture limits the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Base Rental Payments

General. Rental Payments, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than third day Business Day next preceding each Interest Payment Date (the “**Base Rental Deposit Date**”). All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time shall be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee shall be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund to the Interest Fund and the Principal Fund as necessary to provide for the payment of the interest on and principal of the Series 2021A Bonds.

Fair Rental Value. The Authority and the City have agreed and determined that the annual fair rental value of the Property is not less than the maximum annual Rental Payments due in any year. In making such determination of fair rental value, consideration has been given

to the uses and purposes that may be served by the Property and the benefits therefrom which will accrue to the City and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Covenant to Budget and Appropriate. The City covenants in the Lease Agreement to take such action as may be necessary to include all Rental Payments due thereunder as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The City will deliver to the Authority and the Trustee a Certificate of the City stating that its final annual budget includes all Base Rental Payments due in such fiscal year within ten days after the filing or adoption thereof. The Lease Agreement declares that these covenants 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 the Lease Agreement agreed to be carried out and performed by the City.

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

Additional Rental Payments

Under the Lease Agreement, the City is also required to pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

- (a) all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein;
- (b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees;
- (c) insurance premiums for all insurance required pursuant to the Lease Agreement;
- (d) any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with Section 148(f) of the Code;
- (e) all amounts due to the 2021 Insurer under the Indenture; and
- (f) all other payments required to be paid by the City under the provisions of this Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts shall be payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement shall continue in full force and effect. The amount of such abatement shall be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority shall calculate such abatement and shall provide the Trustee with a certificate setting forth such calculation and the basis therefor. 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 Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term shall in no event be extended beyond the Maximum Lease Term.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the City as a special obligation payable solely from said funds and accounts. The City is permitted to apply Net Insurance Proceeds: (a) together with other legally available funds that the City elects to contribute, to the repair, reconstruction or replacement of the damaged or destroyed portions of the Property; (b) to redeem Series 2021A Bonds; and/or (c) if the annual fair rental value of the Property is at least equal to 100% of the Base Rental Payments, to any other lawful purpose, including Base Rental Payments. See the captions "THE SERIES 2021A BONDS – Redemption – Extraordinary Redemption from Condemnation Award or Insurance Proceeds," "RISK FACTORS – Abatement" and Appendix B under the caption ["INDENTURE – SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS – Application of Net Insurance Proceeds."]

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. *Base Rental Payments may not be accelerated upon a default under the Lease Agreement.* See the caption "BOND OWNERS' RISKS – No Acceleration Upon Default."

For purposes of certain actions of Bond Owners of a series under the Indenture and Lease Agreement, such as certain consents and amendments and the direction of remedies following default, such Bond Owners do not act alone and may not control such matters to the extent that such matters are not supported by the requisite number of the Owners of all Bonds and Additional Bonds, if any, of such series.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see Appendix B.

No Reserve Fund

No debt service reserve fund or account will be established by the Authority or the City in connection with the issuance of the Series 2021A Bonds.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained, throughout the term of the Lease Agreement:

(1) A standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies must provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, provided that such self-insurance complies with the provisions of the Lease Agreement. The Net Insurance Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance have been paid.

(2) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations to carry workers' compensation insurance may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement.

(3) The City will maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. The City has an insurance policy which provides replacement cost coverage. All of the foregoing insurance may

be subject to a deductible in an amount not to exceed \$500,000. The foregoing obligations may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement. The City does not currently maintain earthquake insurance on the Property.

(4) The City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments under the Lease Agreement resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to clause (3) above in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of the Base Rental Payments scheduled to be paid during any Rental Period. *The City is not permitted to self-insure its obligation to maintain rental interruption insurance.*

The insurance required to be maintained by the Lease Agreement must be provided by reputable insurance companies with claims-paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant, to be adequate for the purposes hereof.

The City will provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, the form of which policy or policies shall be acceptable to the 2021 Insurer, in the aggregate amount of not less than the aggregate principal amount of the Bonds. Such policy or policies will insure: (a) the fee interest of the City in the Property; (b) the Authority's ground leasehold estate in the Property under the Ground Lease; and (c) the City's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or Lease Agreement or required thereby must provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Bond Owners.

THE CITY

General

The City encompasses approximately 42.2 square mile and has an estimated population of 213,944 as of January 1, 2021. It is located 50 miles east of Los Angeles and is approximately 10 miles west of the cities of Riverside and San Bernardino. Founded in 1913, Fontana is the second largest city in San Bernardino County, and the 20th largest in the State. The Riverside-San Bernardino area is often referred to as Southern California's "Inland Empire." As one of the cities in the Inland Empire, Fontana is part of a region whose population base exceeds 4.4 million people.

The earliest recorded landowner in the Fontana area was Don Antonio Maria Lugo, who received a land grant in 1813. A second grant, in 1842, secured the land known as Rancho de San Bernardino for his sons. The Lugo sons sold a portion of their land, which included part of what is now Fontana, to a group of Mormon settlers in 1851. The Mormon settlers eventually returned to Salt Lake City, and the Semi-Tropical Land & Water Company gained control of the Rancho. Active development of the area, however, did not begin until the early 1900's when the Fontana Development Company acquired the acreage and began a community called Rosena - a name that was changed to Fontana in 1913.

Fontana quickly became a diversified agricultural area, with citrus, grain, grapes, poultry, and swine being the leading agricultural commodities. The community faced a transition beginning in 1942 when the Fontana area was selected as the site for a steel mill. Fontana incorporated in 1952 and the area became Southern California's leading producer of steel and steel related products.

The steel industry dominated the City's economy from the time the mill was built until the mid 1980's. In the late 1970's, however, Kaiser Steel began to cut down on production and manpower, and the steel mill closed in 1984. The mill site, located outside of City limits, is in the process of being developed into an integrated community of transportation-related industrial, commercial and business park uses to take advantage of the sites excellent highway and rail access. The plate steel and rolling mill plant was acquired by California Steel Industries, which continues to produce steel products. In addition, railroad and trucking operations and a number of industrial facilities and warehousing/distribution centers are located in Fontana because of its convenient geographical location and excellent transportation network.

Auto Club Speedway (formerly California Speedway) is a two-mile (3 km), low-banked, D shaped oval superspeedway in Fontana, California which has hosted NASCAR racing annually since 1997. The track was also used for open wheel racing events until 2005. The racetrack is located near the former locations of Ontario Motor Speedway and Riverside International Raceway. The track is currently owned and operated by International Speedway Corporation and is the only track owned by ISC to have naming rights sold. The speedway is served by the nearby Interstate 10 and Interstate 15 freeways as well as a Metrolink station located behind the backstretch.

City Government and Administration

The City was incorporated as a general law city in 1952 and is governed by a Mayor and four council members elected at large to serve four-year terms. The City operates under a Council-Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City.

The City provides police protection, street sweeping, park maintenance, building inspection, library, sewer, storm drain and sanitation services. The City contracts with the County for fire protection services. Numerous hospitals and health care facilities are located in or near the City. The current City Council members and their respective term expiration dates are as follows:

<u>Name and Office</u>	<u>Term Expires</u>
Acquanetta Warren, <i>Mayor</i>	November, 2022
Phillip Cothran, <i>Mayor Pro Tem</i>	November, 2022
Peter Garcia, <i>Council Member</i>	November, 2024
John Roberts, <i>Council Member</i>	November, 2022
Jesus "Jesse" Sandoval, <i>Council Member</i>	November, 2024

The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Clerk, and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for

overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

Public Health Emergency – COVID-19

General. The spread of the novel strains of coronavirus that causes the disease known as COVID-19 (“**COVID-19**”) and local, state and federal actions in response to COVID-19, is having a significant impact on the economy and on the City’s operations and finances. On February 11, 2020, the World Health Organization (“**WHO**”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The COVID-19 pandemic has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The temporary and permanent business closures caused by the COVID-19 pandemic have led to a stark increase in unemployment across the County and the nation. Depending on the length and the breadth of the impacts of the COVID-19 pandemic, the economic costs may be very significant for the City and the region’s economy. On June 8, 2020, the National Bureau of Economic Research announced that the United States of America officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile.

Since mid-March 2020, based on guidance and directives from the State and public health agencies, including the County have implemented and revised Shelter-in-Place (“**Shelter-in-Place**”) emergency orders or directives, which directed individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place orders or directives. The Governor of the State announced similar Shelter-in-Place emergency orders effective for the entire State. On August 28, 2020, the State released guidance (referred to as the “**Blueprint for a Safer Economy**”) regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each county.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. According to the County, approximately 115,000 residents in the City, or 66% of residents ages 12 and older, were fully vaccinated as of September 13, 2021.

On June 15, 2021, the State moved beyond the Blueprint for a Safer Economy and all Shelter-in-Place orders or directives in the State were terminated. As a result, effective June 15, 2021, capacity limits, physical distancing requirements, and certain mask requirements for individuals who are fully vaccinated have terminated. Masks are still required on public transportation, in hospitals and jails, in schools and in other child care centers pending updated guidance from the Centers for Disease Control and Prevention. Public health measures currently remain for events with 5,000 or more people indoors or 10,000 attendees or more outdoors, with vaccine verification recommended. Certain public health measures, including but not limited to mask, testing and/or vaccination requirements, remain in certain business settings and for certain industries.

In June 17, 2021, the California Department of Industrial Relations, Division of Occupational Safety and Health (“**Cal/OSHA**”) revised its workplace regulations relating to COVID-19 prevention. Under the new Cal/OSHA regulations, unless they show symptoms, fully vaccinated employees do not need to be offered testing for COVID-19 or be excluded from work after close contact with a COVID-19 person. An employee is considered “fully vaccinated” if the

employer has documentation reflecting that the employee completed their vaccination series at least 14 days prior.

While significant portions of the population of the State have been vaccinated, COVID-19 variants have resulted increased infection rates (the cumulative case count in the City according to the County is 44,025 as of September 1, 2021) and the imposition of certain restrictions on commercial and other activities.

Financial Impact on City. The COVID-19 pandemic has adversely impacted the financial condition of the City. Previous, existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment, with corresponding decreases in City revenues, as described below.

For Fiscal Year 2019-20, the City's General Fund revenues totaled approximately \$115 million, a decrease of \$2.1 million (or 1.8%) from Fiscal Year 2018-19. This decrease was primarily due to a decrease in the City's sales tax revenues of \$1.6 million and other revenues (consisting of charges for services, fines and forfeitures, interest revenue, and other revenue) of \$3.2 million due to Shelter-in-Place orders or directives that imposed operating restrictions on local businesses. The decreases in sales tax revenues and other revenues were partially offset by an increase in property tax revenues of \$2.5 million. The City's other tax revenues experienced mixed results with some (e.g. Franchise Taxes) not showing any harm from the Shelter-in-Place orders while others (e.g. Transient Occupancy Tax) being negatively impacted.

For Fiscal Year 2020-21, the City's General Fund revenues are estimated to total approximately \$141 million, an increase of approximately \$27 million (or 23%) from Fiscal Year 2019-20. This increase was primarily due to an increase of approximately \$8.5 million in sales taxes, an increase of approximately \$1 million in property taxes, an increase of approximately \$10.5 million in intergovernmental revenues, and an increase of approximately \$2.1 million in license and permit fees. The increase in intergovernmental revenues of \$10.5 million was due to one-time funding received from the State from its share of funding under the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**") in the amount of \$5.25 million, and funding under the federal Emergency Rental Assistance Program ("**ERAP**") established under the Consolidated Appropriations Act, 2021 in the amount of \$6.4 million, as described below.

On March 27, 2020, the \$2.2 trillion CARES Act was enacted which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by the COVID-19 pandemic. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic. As described above, the City received approximately \$5.25 million in CARES Act funds in fiscal year 2020-21 for direct and unbudgeted COVID-19 related expenses. Funds received by the City under the CARES Act are not available for payment of debt service on the Series 2021A Bonds and cannot be used to backfill City revenue losses related to the COVID-19 pandemic.

On December 27, 2020, the federal Consolidated Appropriations Act 2021 (the "**Appropriations Act**"), a \$900 billion COVID-19 relief bill, was signed into law and \$25 billion was allocated to the United States Treasury for the ERAP to assist households that are unable to pay rent or utilities due to the COVID-19 pandemic. Approximately \$1.4 billion was given directly to the State while the remaining balance was provided directly to local jurisdictions with populations above 200,000, including the City. To implement its funds from the Appropriations

Act, the State passed Senate Bill 91, which was signed by the Governor on January 29, 2021 (“**SB 91**”). Under SB 91, local jurisdictions with populations above 200,000 were given the option to have their funds administered through the State-administered program with the California Department of Housing and Community Development. In Fiscal Year 2020-21, the City received approximately \$6.4 million in Emergency Rental Assistance funds directly from the federal government, and a share of the State’s Emergency Rental Assistance funds. The City subsequently remitted all such funds to the California Department of Housing and Community Development for administration in accordance with the State and federal law.

On March 11, 2021, the President of the United States signed the American Rescue Plan, a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The American Rescue Plan includes \$350 billion in unrestricted economic relief to states, counties, and local governments. On May 10, 2021, the U.S. Treasury Department released interim guidance for use of the American Rescue Plan funds, and specifically authorized, among other things, the use of funds to help offset revenue shortfalls caused by the pandemic. As of the date of this Official Statement, the City estimates it will receive a total of approximately \$50 million in funding under the American Rescue Plan. To date, the City has received approximately \$25 million of such funds and anticipates receiving a second installment in 2022. The City has not yet allocated such funding for specific purposes pending the release of final guidance from the United States government. See “CITY FINANCIAL INFORMATION – Budget Procedure, Current Budget and Historical Budget Information – 2021-2022 Adopted Budget”

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments’ relief programs and the timing for the containment and treatment of COVID-19. Certain of the information in this Official Statement is dated prior to the onset of the COVID-19 pandemic, which has had a significant adverse impact on the nation, State and local economy, including, but not limited to, a dramatic increase in unemployment levels. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City and the region. The ultimate impact of COVID-19 on the City’s operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known. See “BOND OWNERS’ RISKS – Public Health Emergencies.”

CITY FINANCIAL INFORMATION

Accounting Policies and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (“**GAAP**”) and the standards established by the Governmental Accounting Standards Board (“**GASB**”). Combined financial statements of the City and its component units are produced following the close of each fiscal year of the City ended June 30 (each, a “**Fiscal Year**”).

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with GAAP, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council. The accounts of the City are organized on the basis

of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The budget is adopted in accordance with GAAP. Revenues are recognized on the accrual basis (i.e., when they are earned). Expenditures are recorded when the related fund liability is incurred. See “APPENDIX C – Comprehensive Annual Financial Report of the City for the Fiscal Year Ended June 30, 2020 – Note (1)” for a description of the significant accounting policies of the City. See the caption “– City Financial Statements” for a discussion of the City’s audited financial statements for Fiscal Year 2019-20.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund because there are legal restrictions on their use. It is expected that debt service on the Series 2021A Bonds will be paid from amounts in the General Fund. Information on the remaining governmental funds of the City as of June 30, 2020, is set forth in Appendix B.

Reserve Policy

General Fund Reserves. The City maintains a reserve policy (the “**Reserve Policy**”). Under the Reserve Policy, it is the responsibility of the City Council to maintain a sufficient level of reserve funds to provide for the orderly provision of services to the citizens of the City. The City Council has the authority to decide the circumstances under which the reserves can be used. The City Manager and the Management Services Director may, from time to time, make recommendations as to the level of reserve funds necessary for prudent fiscal management. Reserve levels are reviewed at least annually during the budget process to ensure that they are consistent with the conditions faced by the City.

Under the Reserve Policy, the City maintains the following five categories of General Fund reserves as part of the General Fund:

Contingency Reserve. The City will maintain a contingency reserve of at least 15% of the appropriated operating expenditures (excluding transfers out) adopted at the beginning of the fiscal year, which would be sufficient to finance operations for a period of two months (the “**Contingency Reserve**”). The primary purpose of this reserve is to protect the City’s ability to provide ongoing services to its citizens in the case of an unanticipated event. The balance in the Contingency Reserve was approximately \$15.3 million as of June 30, 2020, or 15% of operating expenditures (excluding transfers out) adopted at the beginning of Fiscal Year 2019-20. The City estimates that the balance in the Contingency Reserve was approximately \$18.9 million as of June 30, 2021, or 15% of operating expenditures (excluding transfers out) adopted at the beginning of Fiscal Year 2020-21.

Economic Uncertainty Reserve. The City will strive to maintain an economic uncertainty reserve of at least 10% of the budgeted recurring revenues (excluding transfers in and development-related revenue) adopted at the beginning of the fiscal year (the “**Economic Uncertainty Reserve**”). The primary purpose of this reserve is to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget. The Economic Uncertainty Reserve may be increased from

time to time in order to address specific anticipated revenue shortfalls (state actions, etc.). The balance in the Economic Uncertainty Reserve was approximately \$8.5 million as of June 30, 2020, or 7.4% of the budgeted recurring revenues (excluding transfers in and development-related revenue) adopted at the beginning of Fiscal Year 2019-20. The City estimates that the balance in the Economic Uncertainty Reserve was approximately \$8.5 million as of June 30, 2021, or 7.7% of the budgeted recurring revenues (excluding transfers in and development-related revenue) adopted at the beginning of Fiscal Year 2020-21.

PERS Reserve. The City will maintain a reserve in order to smooth out fluctuations in contribution rates to the City's pension plans (the "**PERS Reserve**"). The PERS Reserve is funded by funding the PERS employer contributions at the average normal rate over the prior nine years (16% for miscellaneous employees and 34% for safety employees). Budgeted contributions that exceed actual contributions will increase the reserve amount; actual contributions that exceed the budgeted contributions will decrease the reserve amount. The balance in the PERS Reserve was approximately \$5.7 million as of June 30, 2020. The City estimates that the balance in the PERS Reserve was approximately \$5.9 million as of June 30, 2021.

Expenditure Control Budget Reserve. Expenditure control budgeting provides an incentive for departments to achieve efficiencies in providing funded service levels. At the end of each year, costs savings are calculated on a department-by-department basis and 50% of that amount is reserved on a departmental basis for one-time expenditures in future years ("**ECB Reserve**"). The use of ECB funds is subject to City Council approval. In connection with the City's Third Quarter Budget Review for Fiscal Year 2019-20, the City applied the entire balance in the ECB Reserve at such time (in the amount of approximately \$1.8 million) to partially offset projected losses to revenue due to the COVID-19 pandemic for such Fiscal Year. As a result, the balance in the ECB Reserve totaled zero dollars as of June 30, 2020. The City estimates that the balance in the ECB Reserve totaled zero dollars as of June 30, 2021.

Other General Funds. The City maintains certain funds that the City generally refers to as "Other General Funds." Similar to reserves, Other General Funds have been established by the City to set aside financial resources for specific purposes and are funded by transfers from the General Fund based on need, including for facility maintenance, self-insurance, and City technology. Other General Funds are not maintained within the City's General Fund. However, Other General Funds are consolidated with the City's General Fund for financial reporting purposes.

The following table shows the balances of the General Fund reserves and Other General Funds as of June 30 of the years 2017 through 2020 based on the City's audited financial statements, and the estimated balances of such reserves and funds as of June 30, 2021.

**CITY OF FONTANA
GENERAL FUND RESERVES AND OTHER GENERAL FUNDS**

	<i>Fiscal Year Ended June 30</i>				
	2017	2018	2019	2020	2021*
General Fund Reserves					
Contingency Reserve ⁽¹⁾	\$12,931,000	\$13,557,000	\$14,670,000	\$15,297,000	\$15,884,000
Economic Uncertainty Reserve ⁽¹⁾	6,795,437	6,919,867	6,919,867	8,500,057	8,514,643
PERS Reserve ⁽²⁾	3,446,363	3,446,364	4,588,085	5,700,690	5,869,393
ECB Reserve ⁽²⁾	1,968,353	1,760,877	1,578,985	--	--
Total General Fund Reserves	\$25,141,153	\$25,684,108	\$27,756,937	\$29,835,142	\$30,268,036
Other General Funds ⁽³⁾					
City Technology ⁽⁴⁾	\$1,247,377	\$1,267,999	\$1,713,840	\$1,012,470	\$6,023,053
Facility Maintenance	1,076,270	577,476	571,076	795,745	824,685
Office of Emergency Services ⁽⁴⁾	44,791	33,797	13,817	(186,256)	460,260
Government Access/KFON	1,071,523	1,151,682	1,236,229	1,341,403	1,427,732
Self Insurance	578,183	2,280,791	1,677,263	5,317,375	8,198,625
Retiree Medical Benefits	23,075,417	23,788,029	24,671,256	25,330,509	25,588,232
Supplemental Retirement Plan	19,888	2,601	4,646	2,791	1,608
General Fund Operating Projects	103,991	66,398	65,536	104,210	291,795
Storm Water Compliance	192,435	195,366	169,300	139,642	209,680
Total Other General Funds ⁽⁴⁾	\$27,409,875	\$29,364,139	\$30,122,963	\$33,857,889	\$43,025,670
Total General Fund Reserves and Other General Funds					
	\$52,551,028	\$55,048,247	\$57,879,900	\$63,693,031	\$73,293,706

(1) Maintained as part of unassigned fund balance of the General Fund.

(2) Maintained as part of the committed fund balance of the General Fund.

(3) Other General Funds are not maintained within the General Fund.

(4) The balance as of June 30, 2021, includes approximately \$3.7 million programmed to be spent in Fiscal Year 2021-22.

Source: City of Fontana.

* Estimated; subject to change.

Budget Procedure, Current Budget and Historical Budget Information

General. The annual budget serves as the foundation for the City’s financial planning and policy making. The budget is prepared according to fund, function (e.g., public safety), and department (e.g., police). Starting in Fiscal Year 2021-22, the City transitioned to a two year budget process. As such, the City Council adopts a budget biennially which begins in the first fiscal year and covers a two-year period beginning on July 1 and running through June 30 for two years. Beginning July 1, the budget process approves operating appropriations at the department and fund level and allows the City to make resource allocation decisions as well as determining which program priorities will be addressed in the coming Fiscal Year. Although the City Council deliberates the proposed budget in June, the budget process occurs throughout the year, as described below.

Budget Timeline. In preparing the two-year budget, several key meetings are held and documents produced that significantly affect its development. The following is a description of each of these along with a calendar of key dates in the preparation process.

The Management Services department is responsible for preparing the budget documents. The process begins in January with the budget “kick-off” meeting and opening of the on-line budget system to departments.

In February of each year, the City Council is provided with a detailed update and review of the City's financial condition at the mid-point of the fiscal year along with year-end fund balance projections.

Departments enter revenue projections by January 31 of each year directly into the budget system. Departments enter expenditure requests by March 31 of each year, with the exception of personnel, directly into the budget system. The Management Services Department calculates and provides to each department personnel costs and General Fund operating target numbers. Departments identify which Budget Units should be charged for the personnel costs by position number. Departments are required to enter operating expenditures equal to or less than their target numbers. Requests for new funding are entered into the budget system with specific documentation provided to Management Services.

Before requests are submitted to the City Manager, the Management Services Department reviews and analyzes all supporting documentation. Then, in April of each year, the City Manager and Management Services staff holds meetings with each department and/or organization to discuss the budget requests and obtain additional information if necessary. Following these meetings, line item requests are adjusted in accordance with the City Manager's funding decisions. The Proposed Budget is then presented to the City Council for consideration and approval. Changes made by the City Council during the budget deliberation process will be incorporated into the adopted budget.

On or before June 30, the City Council votes to adopt the budget, including any amendments to the proposed budget that may occur, by an affirmative vote of the majority of the City Council. At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by a majority vote of the City Council.

Upon final adoption, the budget becomes the legal authorization for the various departments to expend appropriations, subject to any controls established by the City Manager, City Council and internal audit requirements. The budget is also published and distributed to interested parties.

Once the budget is adopted by the City Council, the responsibility of implementing each departmental budget lies with each department head, with ultimate responsibility resting with the City Manager. Department directors are expected to operate their departments within the appropriations established in the budget. In certain cases, however, amendment requests are considered where unforeseen events have occurred. In such cases, the department head and Management Services Director may approve transfers within the same fund, division and expenditure category. Transfers moving funds from one division or department to another or one category to another within the same fund requires the approval of the department head, Management Services Director, and City Manager. To amend or supplement the budget by the transfer of all or any part of unused and unencumbered balances appropriated for one purpose to another purpose, to appropriate available funds not included in the budget, or to cancel in whole or in part any appropriation not expended or encumbered or to move funds from one fund to another fund requires an affirmative vote of the City Council.

Budget Policy. Budgetary control is set at the department level by fund to ensure compliance with the budget as approved by the City Council. The City's budget policy requires the following:

- All appropriations lapse at fiscal year end. Outstanding encumbrance balances at fiscal year end require re-approval by the City Council, typically as part of the First Quarter Budget Review.
- City Council approval for all new appropriations and increases to estimated revenues.
- City Council approval for budgetary changes between funds.
- City Manager approval for project changes within the same fund.
- Departments may transfer budget between divisions in the same department and fund.
- Budget Reviews to be prepared on a quarterly basis and submitted to City Council for approval.

Adopted Budget for Fiscal Year 2020-21. The City Council adopted the City's operating budget for Fiscal Year 2020-21 (the "**2020-21 Adopted Budget**") on June 23, 2020. The 2020-21 Adopted Budget reflects a balanced General Fund budget. The 2020-21 Adopted Budget included revenue reductions related to COVID-19 and was balanced through operational savings, the deferral of projects, the one-time deferral of retiree medical contributions, and the judicious use of reserves. The 2020-21 Adopted Budget closed an estimated \$8.64 million deficit by implementing the following solutions: (i) a one-time deferral of the annual transfer to the Retiree Medical Fund of \$2.5 million for OPEB costs; (ii) a reduction in recurring capital reinvestment transfers including a \$1.5 million reduction in the pavement rehabilitation program; (iii) a reduction in the PERS Reserve of \$1.3 million; (iv) reductions in operating cost totaling \$2.55 million; and (v) a deferral of fleet costs of \$810,000. In connection with its First Quarter Budget Review for Fiscal Year 2020-21, the City determined that the revenue shortfall for Fiscal Year 2019-20 was not as significant as initially projected in the 2020-21 Adopted Budget when initially adopted. As a result, the City subsequently reversed the deferral of the annual transfer to the Retiree Medical Fund, the reduction in the PERS Reserve, and deferral of fleet costs described above. No reductions were made to full-time staff compensation or hours in connection with the 2020-21 Adopted Budget.

Adopted Budget for Fiscal Years 2021-23. The City Council adopted the City's operating budget for Fiscal Years 2021-22 and 2022-23 (the "**2021-23 Adopted Budget**") on June 8, 2021. The 2021-23 Adopted Budget is fiscally balanced and continues to support the City's core services, maintenance, facilities and infrastructure in line with the priorities of the City Council. In the 2021-23 Adopted Budget, General Fund revenues for Fiscal Year 2021-22 are projected to decrease by approximately \$18.8 million, or 13%, when compared to estimated General Fund revenues for Fiscal Year 2020-21. This \$18.8 million decrease is due primarily to decreases when compared to estimated General Fund revenues for Fiscal Year 2020-21 in intergovernmental revenues of approximately \$10.6 million, sales tax revenues of approximately \$4.3 million, and other revenues (including code enforcement fines, animal licenses, passport fees and other miscellaneous revenues) of approximately \$4.5 million. In particular, intergovernmental revenues for Fiscal Year 2020-21 were buoyed by federal and State funding totaling approximately \$11.65 million under the CARES Act and ERAP. Intergovernmental revenues for Fiscal Year 2021-22 are

budgeted to total approximately \$1.8 million, reflecting a lack of such one-time federal and State funding. Such decreases are projected to be offset by an increase in property tax revenue of approximately \$1.2 million reflecting an anticipated growth of 4% in assessed values, and an increase of approximately \$1.6 million in charges for services assuming City facilities and programs will be open for three quarters of Fiscal Year 2021-22.

With respect to expenditures, in the 2021-23 Adopted Budget, total General Fund expenditures are projected to increase approximately \$1.5 million, or 1%. In particular, City administration expenses are budgeted to decrease approximately \$6.8 million, reflecting the absence of one-time ERAP funding in Fiscal Year 2020-21 which was recognized as an expense when remitted to the California Department of Housing and Community Development for administration. Such decrease is projected to be offset by an increase in expenditures for police of approximately \$2.7 million, or 4%, reflecting increases in accordance with the City's contractual obligations, and an increase in community services expenditures of approximately \$5.3 million, or 40%, which assumes facilities and program will be open for three quarters of Fiscal Year 2021-22.

Comparison of Budget to Actual Performance. The following table shows (i) the City's final budget and actual results for General Fund revenues and expenditures for the two most recently completed Fiscal Years, (ii) the City's budget for such Fiscal Years and Fiscal Year 2021-22, and (iii) estimated results for General Fund revenues and expenditures for Fiscal Year 2020-21. During the course of each Fiscal Year, the budget may be amended and revised as necessary by the City Council; budgeted amounts shown reflect such amendments and revisions in certain Fiscal Years.

Table 1
CITY OF FONTANA
General Fund Budget Summary
Fiscal Years 2018-19 through 2021-22

	Adopted Budget 2018-19	Audited 2018-19	Adopted Budget 2019-20	Audited 2019-20	Adopted Budget 2020-21	Estimated Actuals 2020-21 ⁽¹⁾	Adopted Budget 2021-22
Revenues:							
Taxes	\$80,916,569	\$86,352,956	\$82,454,700	\$87,885,403	\$92,571,500	\$98,045,049	\$93,331,550
Licenses and permits	5,045,610	5,636,425	5,514,100	5,719,326	6,267,080	7,829,003	6,692,600
Intergovernmental ⁽²⁾	2,663,620	1,909,338	1,654,440	1,392,634	12,367,803	11,915,314	1,790,800
Charges for services	12,596,240	13,696,836	12,227,513	11,933,119	11,446,500	11,412,991	13,062,370
Fines and forfeitures	793,000	959,977	788,450	730,726	824,600	683,508	737,300
Investment earnings	4,506,700	5,544,493	4,618,800	5,137,597	4,963,730	4,102,258	4,153,540
Other revenue ⁽³⁾	5,641,186	2,926,519	3,676,206	2,094,444	6,615,406	7,690,339	3,151,030
Total Revenues	\$112,162,925	\$117,026,544	\$110,934,209	\$114,893,249	\$135,056,619	\$141,678,462	\$122,919,190
Expenditures:							
Current:							
General government:							
City council and commissions	\$362,989	\$376,127	\$380,480	\$384,960	\$409,500	\$399,208	\$433,530
City administration	5,791,247	5,401,902	6,815,390	7,328,145	11,313,162	12,400,323	5,603,930
Management services	3,059,581	3,052,580	3,419,930	3,605,035	8,652,634	4,641,894	3,184,230
Information technology	9,109,022	7,104,651	9,843,112	8,333,508	12,996,002	7,741,927	8,736,410
Human resources	11,049,102	10,802,311	10,124,320	10,361,954	11,601,635	10,962,094	10,630,580
Public safety:							
Police	60,615,934	58,443,677	63,061,554	62,242,899	67,888,729	65,996,280	68,739,230
Public works	12,755,764	11,725,091	13,095,257	12,644,001	13,591,224	12,489,377	13,779,500
Community Development	4,720,912	4,270,709	4,471,298	4,260,620	4,799,098	4,605,468	4,553,400
Community services	12,777,199	12,123,507	11,684,495	10,827,166	10,194,695	7,880,062	13,223,370
Engineering	3,399,625	3,417,797	3,374,555	3,538,753	3,853,262	3,619,625	3,837,470
Capital Outlay	1,674,490	1,360,338	--	--	1,430,021	828,384	327,670
Total Expenditures	\$125,315,865	\$118,078,690	\$126,270,391	\$123,527,040	\$146,729,962	\$131,564,642	\$133,049,320
Revenues over (under expenditures)	(13,152,940)	(1,052,146)	(15,336,182)	(8,633,791)	(11,673,343)	10,113,820	(10,130,130)
Other Financing Sources (uses)							
Transfers in	\$30,521,755	\$15,780,326	\$31,183,546	\$16,100,667	\$14,833,810	\$15,078,405	\$15,367,770
Transfers out	(22,139,945)	(7,301,551)	(24,466,881)	(4,383,641)	(7,942,040)	(7,772,502)	(5,180,190)
Sale of capital assets	231,066	245,183	451,200	674,505	1,500	153,669	1,500
Total other sources (uses)	\$8,612,876	\$8,723,958	\$7,167,865	\$12,391,531	\$6,893,270	\$7,459,572	\$10,189,080
Net Change in Fund Balance	(4,540,064)	7,671,812	(8,168,317)	3,757,740	(4,780,073)	17,573,392	58,950
Fund Balance-beginning of year	87,046,294	87,046,294	94,718,106	94,718,106	98,475,846	98,475,846	116,049,238
Fund Balance-end of year	\$82,506,230	\$94,718,106	\$86,549,789	\$98,475,846	\$93,695,773	\$116,049,238	\$116,108,188

(1) Estimated; subject to change.

(2) Increase in Fiscal Year 2020-21 of approximately \$10.5 million is primarily due to the City's receipt of \$5.25 million in CARES Act funding and approximately \$6.4 million in ERAP funds. See "– Public Health Emergency – COVID-19 – Financial Impact on City."

(3) Includes code enforcement fines, animal licenses, passport fees and other miscellaneous revenues.

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Years 2018-19 and 2019-20; City of Fontana Adopted Budgets for Fiscal Years 2018-19, 2019-20, and 2020-21; and City of Fontana for estimated actuals for Fiscal Year 2020-21.

City Financial Statements

A copy of the most recent audited financial statements of the City (the “**Financial Statements**”) for the Fiscal Year ended June 30, 2020, prepared by DavisFarr LLP, Irvine, California (the “**Auditor**”), is included as Appendix C to this Official Statement. The Auditor’s letter dated March 31, 2021 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement.

Certain financial information that is set forth in this Official Statement is derived from the Financial Statements and the City’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and is qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited such financial information or any other portion of this Official Statement.

In the Financial Statements, data relating to governmental funds such as the General Fund focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of each Fiscal Year.

The City’s accounting and budgeting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and the expenditures being recorded when the services or goods are received or the liabilities incurred, in each case regardless of the timing of related cash flows. As examples, property taxes, franchise fees, investment income and charges for services are considered to be susceptible to accruals and recognized as revenues in the year for which they are levied. For these purposes, the City considers revenues as available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The following table shows the City’s audited General Fund balance sheets for Fiscal Years 2015-16 through 2019-20.

Table 2
CITY OF FONTANA
General Fund Balance Sheets
Fiscal Years 22015-16 through 2019-20

	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
Assets:					
Cash and investments	\$48,470,510	\$52,222,070	\$50,395,831	\$60,783,731	\$64,089,478
Receivables:					
Accounts	2,164,635	2,161,379	3,467,019	2,381,914	2,297,648
Interest	126,693	139,212	201,296	282,043	178,668
Loans to Successor Agency	30,645,664	29,947,288	29,165,108	28,289,067	27,307,900
Allowance for doubtful accounts	(197,776)	(189,651)	(249,352)	(195,651)	(200,484)
Due from other funds	1,543,031	419,387	2,823,652	1,893,899	3,143,191
Due from other governments	11,477,345	7,831,411	6,702,265	8,195,823	8,873,464
Inventories	357,181	321,580	349,801	330,543	327,065
Deposits	71,842	74,327	115,038	63,175	69,025
Restricted assets:					
Cash with fiscal agent	376,900	376,900	376,900	376,900	376,900
Total Assets	\$95,036,025	\$93,303,903	\$93,347,558	\$102,410,444	\$106,462,755
Liabilities, Deferred Inflow of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$6,439,735	\$6,350,732	\$4,856,010	\$6,095,396	\$6,413,800
Deposits payable	302,783	308,938	302,741	484,830	526,500
Due to other governments	9,769	9,768	9,769	9,769	967
Total Liabilities	\$6,752,287	\$6,669,438	\$5,168,520	\$6,589,995	\$6,941,317
Deferred Inflows of Resources					
Unavailable Revenue	\$966,992	\$1,184,281	\$1,132,744	\$1,093,343	\$1,045,592
Total Deferred Inflows of Resources	\$966,992	\$1,184,281	\$1,132,744	\$1,093,343	\$1,045,592
Fund Balances					
Nonspendable	\$429,023	\$395,907	\$464,839	\$393,718	\$396,090
Restricted	1,087,820	1,071,523	1,151,682	1,236,229	1,341,403
Committed	4,726,998	5,414,716	5,207,240	6,167,070	5,700,690
Assigned	34,514,464	24,446,674	25,141,842	26,455,278	27,473,651
Unassigned	46,558,441	54,121,364	55,080,691	60,465,811	63,564,012
Total Fund Balances	\$87,316,746	\$85,450,184	\$87,046,294	\$94,718,106	\$98,475,846
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$95,036,025	\$93,303,903	\$93,347,558	\$102,401,444	\$106,462,755

Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Years 2015-16 through 2019-20.

The following table shows the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2016-17 through 2020-21.

Table 3
CITY OF FONTANA
Statements of Revenues, Expenditures and Changes in General Fund Balance
Fiscal Years 2016-17 through 2020-21

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Estimated Actuals 2020-21 ⁽¹⁾
Revenues:					
Taxes	\$72,723,920	\$76,088,845	\$86,352,956	\$87,885,403	\$98,045,049
Licenses and permits	4,007,440	4,010,138	5,636,425	5,719,326	7,829,003
Intergovernmental	1,969,909	1,885,070	1,909,338	1,392,634	11,915,314
Charges for services	6,923,786	11,881,758	13,696,836	11,933,119	11,412,991
Fines and forfeitures	772,580	909,058	959,977	730,726	683,508
Investment earnings (Loss)	4,287,795	4,154,182	5,544,493	5,137,597	4,102,258
Other revenue	7,417,977	10,041,783	2,926,519	2,094,444	7,690,339
Total Revenues	\$98,103,407	\$108,970,832	\$117,026,544	\$114,893,249	\$141,678,462
Expenditures:					
Current:					
General government:					
City council and commissions	\$313,962	\$308,043	\$376,127	\$384,960	\$399,208
City administration ⁽²⁾	4,486,366	4,401,270	5,401,902	7,328,145	12,400,323
Management services	2,816,58	3,007,511	3,052,580	3,605,035	4,641,894
Information technology	5,664,826	6,637,647	7,104,651	8,333,508	7,741,927
Human resources	11,777,980	12,574,255	10,802,311	10,361,954	10,962,094
Public safety:					
Police	51,733,654	55,522,413	58,443,677	62,242,899	65,996,280
Public works	11,000,397	11,693,206	11,725,091	12,644,001	12,489,377
Community development	3,454,273	4,033,337	4,270,709	4,260,620	4,605,468
Community services ⁽³⁾	11,252,294	11,629,283	12,123,507	10,827,166	7,880,062
Engineering	2,662,868	2,938,713	3,417,797	3,538,752	3,619,625
Capital Outlay	678,838	267,635	1,360,338	--	828,384
Total Expenditures	\$105,841,916	\$113,013,313	\$118,078,690	\$123,527,040	\$131,564,642
Other Financing Sources (uses)					
Transfers In	\$12,942,747	\$12,956,086	\$15,780,326	\$16,100,667	\$15,078,405
Transfers out	(7,084,035)	(7,321,350)	(7,301,551)	(4,383,641)	(7,772,502)
Sale of capital assets	13,235	3,855	245,183	674,505	153,669
Total other sources (uses)	\$5,871,947	\$5,638,591	\$8,723,958	\$12,391,531	\$7,459,572
Net Change in Fund Balance	(1,866,562)	1,596,110	7,671,812	3,757,740	17,573,392
Fund Balance-beginning of year	87,316,746	85,450,184	87,046,294	94,718,106	98,475,846
Fund Balance-end of year	\$85,450,184	\$87,046,294	\$94,718,106	\$98,475,846	\$116,049,238

(1) Estimated; subject to change.

(2) Increase in Fiscal Year 2020-21 City administration expenses is due primarily to the recognition of the disbursement of approximately \$6.4 million in ERAP funds to the California Department of Housing and Community Development for administration. See “– Public Health Emergency – COVID-19 – Financial Impact on City.”

(3) Decrease in Fiscal Year 2020-21 community services expenses is due primarily to the closure of recreation facilities as a result of Shelter-in-Place orders that were implemented in response to the COVID-19 pandemic.

Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Years 2015-16 through 2019-20.

General Fund Major Revenues By Source

A summary of the primary General Fund revenues received by the City in the last five Fiscal Years, and budgeted General Fund revenues for Fiscal Year 2021-22, is set forth in the following table. Certain general fund taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIIC and Article XIID.”

Table 4
CITY OF FONTANA
General Fund Major Tax Revenues by Source
(000's)

Revenue Source	Audited FY 2016-17	Audited FY 2017-18	Audited FY 2018-19	Audited FY 2019-20	% of Total ⁽¹⁾	Estimated FY 2020-21 ⁽²⁾	Adopted Budget 2021-22
Sales Taxes	\$37,844	\$38,664	\$44,561	\$42,959	37.39%	\$51,408	\$47,130
Property Taxes	21,854	23,802	27,251	29,741	25.89	30,753	31,982
Business license taxes	5,714	5,898	6,420	6,280	5.47	6,753	6,070
Transient occupancy taxes	961	1,010	1,085	960	0.84	800	900
Franchise Taxes	6,135	6,715	7,034	7,946	6.92	8,330	7,250
Charges for Services	6,924	11,882	13,697	11,933	10.39	11,413	13,062
Investment earnings	4,288	4,154	5,544	5,138	4.47	4,102	4,154
Other Revenue Sources ⁽³⁾⁽⁴⁾	14,383	16,846	11,432	9,936	8.65	28,119	12,371
Total	\$98,103	\$108,971	\$117,027	\$114,893	100.00%	\$141,678	\$122,919

(1) Reflects percentage of total Fiscal Year 2019-20 General Fund revenues.

(2) Estimated; subject to change.

(3) “Other Revenues Sources” consist of license and permit fees, intergovernmental revenues, fines and forfeitures, and other revenues. See Table 1.

(4) Increase in estimated “Other Revenue Sources” for Fiscal Year 2020-21 of approximately \$18 in million is due primarily to increases in (i) intergovernmental revenues of approximately \$10.5 million, (ii) licenses and permits fees of \$2.1 million, and (iii) other revenues (including code enforcement fines, animal licenses, passport fees and other miscellaneous revenues) of approximately \$5.6 million. See Table 1.

Source: City of Fontana.

Sales and Use Taxes

General. A sales and use tax is imposed on retail sales or consumption of personal property. As shown in Table 4, sales and use tax revenues represented the largest source of tax revenues for the City’s General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 37% of the City’s total General Fund revenues for Fiscal Year 2019-20. In Fiscal Year 2019-20, the City’s sales tax revenues totaled approximately \$43 million, a decrease of approximately 4% compared to sales tax revenues of approximately \$44.5 in Fiscal Year 2018-19. The City estimates sales tax revenues will total approximately \$51 million in Fiscal Year 2020-21.

Based on the 2021-23 Adopted Budget, the City’s sales tax revenues are projected at \$47.1 million for Fiscal Year 2021-22. The phased re-opening under the Blueprint for a Safer Economy ended with a full reopening of the economy on June 15, 2021. Such budgeted revenues assume a full reopening of the economy. See “PUBLIC HEALTH EMERGENCY – COVID-19.”

The City’s sales tax revenue represents the City’s share of the sales and use tax imposed on taxable transactions occurring within the City’s boundaries. The sales tax is governed by the

Bradley-Burns Uniform Local Sales and Use Tax Law, set forth in California Revenue and Taxation Code Section 7200 et seq. The local sales tax rate in the City is 7.75%, of which the City is allocated 1%. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

Table 5
CITY OF FONTANA
Sales Tax Rates

	Rate
State	6.00%
County of San Bernardino	0.25
Special Tax	1.50
Total	7.75%

Source: California Department of Tax and Fee Administration.

The State’s actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis. Sales tax revenue collected by the State is directly deposited monthly to the City’s General Fund. For a summary of historical taxable transactions in the City, see “– History of Taxable Transactions.”

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the CDTFA’s March 2018 publication entitled “Sales and Use Taxes: Exemptions and Exclusions,” which can be found on the CDTFA’s website at <http://www.cdtfa.ca.gov>. *The reference to this Internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

In June 2018, the United States Supreme Court published its decision in *South Dakota v. Wayfair* (the “**Wayfair Decision**”), in which the Supreme Court held that sales to a customer in a particular state alone are sufficient to create a nexus for purposes of determining whether a seller is required to collect sales taxes of the applicable state. Prior to the Wayfair Decision, courts had interpreted the dormant Commerce Clause of the United States Constitution to require that a company have physical nexus in a state in order for the seller to be liable for the collection of that state’s sales tax. Physical nexus is defined as having either property or payroll in the state, including a resident employee working from home or inventory stored in that state. The State of California has issued guidance in response to the Wayfair Decision. Under such guidance, beginning April 1, 2019, retailers located outside of the State are required to register with the California Department of Tax and Fee Administration (the “**CDTFA**”), collect the California use tax, and pay the tax to the CDTFA based on the amount of their sales into California, even if they

do not have a physical presence in the state. The new collection requirements apply to retailers if during the preceding or current calendar year certain sales thresholds are met. The new collection requirements apply to taxable sales of tangible personal property to California consumers on and after April 1, 2019, and are not retroactive. Additionally, the State's passage of Assembly Bill 147, signed by the Governor on April 25, 2019, provides the implementation rules for the Wayfair Decision in California. The City is unable to predict the impact that the Wayfair Decision will have on its sales tax revenues.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA, and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties, and special districts using the following method. Using the prior year's quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments, and refunds, and then adjusts for growth, to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire, or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances, and the current advance are provided with each quarterly clean-up payment.

Effective April 2, 2020, pursuant to Executive Order N-40-20, the State is allowing small business taxpayers (i.e., those with less than \$5 million in taxable annual sales), to participate in a 12-month, interest-free, payment plan for up to \$50,000 of sales and use tax liability. See "BOND OWNERS' RISKS – Public Health Emergencies– Collection of Taxes" for a discussion of Executive Order N-40-20. However, to date, the City has not experienced any significant delays in the receipt of sales tax revenues resulting from this order.

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2016 through 2020 is shown in the following table.

**Table 6
CITY OF FONTANA
Taxable Sales by Category
(in thousands)**

Business	2016	2017	2018	2019	2020
Motor Vehicle and Parts Dealers	\$861,239	\$924,978	\$893,419	\$907,548	\$952,097
Home Furnishings and Appliance Stores	25,691	25,602	39,858	36,394	56,200
Building Material, Garden Equip & Supplies	186,038	208,056	239,924	242,132	300,895
Food and Beverage Stores	121,793	129,012	134,221	137,556	159,406
Gasoline Stations	273,560	303,795	364,962	362,083	293,760
Clothing and Clothing Accessories Stores	86,412	87,858	108,442	113,897	103,093
General Merchandise Stores	262,012	269,230	342,570	355,548	338,935
Food Services and Drinking Places	280,690	302,987	313,274	324,856	318,157
Other Retail Group	238,217	217,612	213,335	208,584	245,737
Total Retail and Food Services	2,335,650	2,469,130	2,650,006	2,688,599	2,768,279
All Other Outlets	799,141	872,771	946,715	1,024,887	868,856
Total All Outlets	\$3,134,792	\$3,341,901	\$3,596,722	\$3,713,487	\$3,637,135

Source: State Department of Tax and Fee Administration.

Property Taxes

General. As shown in Table 4, property tax revenues represented the second largest source of tax revenues for the City's General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 26% of the City's total General Fund revenues for Fiscal Year 2019-20. The figures shown in Table 4 for property tax revenues include property tax that the City received in lieu of vehicle license tax (see "– Vehicle License Fees" below). The City's property tax revenues are estimated at approximately \$30.5 million for Fiscal Year 2020-21. Based on the 2021-23 Adopted Budget, the City's property tax revenues are projected at \$32 million for Fiscal Year 2021-22.

Property taxes have been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed over 35 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever was less. In addition, if unemployment and reduced economic activity generally is a sustained consequence of the COVID-19 pandemic through multiple fiscal years, a combination of property tax payment delinquencies and property tax assessment appeals could depress property tax revenue growth over time.

Vehicle License Fees. The State imposes a Vehicle License Fee (the "VLF"), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the State Budget for Fiscal Year 2004-05, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee. The State Budget for Fiscal Year 2004-05 permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and removed the requirement for backfill payments, providing instead that the amount of the backfill

requirement will be met by an increase in the property tax allocation to cities and counties. 100% of the VLF revenues the City receives from the State can be used for City general purposes. See “– State Budget.”

In Fiscal Year 2019-20, the City received VLF revenues and property tax revenues in lieu of VLF totaling approximately \$167,850, representing approximately 0.07% percent of the City’s General Fund revenues for Fiscal Year 2019-20. Based on the 2020-21 Adopted Budget, the City’s VLF revenues are estimated at \$1.0 million, representing approximately 0.9% of the City’s total budgeted General Fund revenues for Fiscal Year 2020-21.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

In response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-61-20 on May 6, 2020. Executive Order N-61-20 waives penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions. The waiver of late payment penalties and resulting property tax delinquencies could have an adverse impact on the timely payment of property taxes with respect to property in the City. The City cannot predict whether the COVID-19 pandemic will have an effect on the remittance by the County of the City’s property tax revenues. However, to date, the City has not experienced any significant declines in property tax revenues resulting from the County’s potential waiver of late payment penalties. See “BOND OWNERS’ RISKS – Public Health Emergencies” for a discussion of Executive Order N-61-20.

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund (“ERAF”), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A” and “– Proposition 22.” There can be no assurance that the State will not undertake future ERAF shifts.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuation History. The following table shows the City’s assessed valuation for Fiscal Years 2011-12 through 2021-22.

Table 7
CITY OF FONTANA
Assessed Value of Taxable Property
Fiscal Years 2010-11 through 2021-22

Fiscal Year	Secured Property	Secured Utility	Unsecured Property	Total Taxable Assessed Value	% Change
2011-12	\$12,705,094,184	\$15,464	\$722,983,826	\$13,428,093,474	--
2012-13	12,874,223,021	15,464	722,039,162	13,596,277,647	1.25%
2013-14	13,272,989,616	15,464	715,586,780	13,988,591,860	2.89
2014-15	14,494,680,306	15,464	729,784,787	15,224,480,557	8.83
2015-16	15,230,715,550	--	751,391,092	15,982,106,642	4.98
2016-17	16,070,278,526	--	748,882,833	16,819,161,359	5.24
2017-18	16,955,778,326	--	765,457,641	17,721,235,967	5.36
2018-19	18,862,249,407	--	804,180,873	19,666,430,280	10.98
2019-20	20,266,174,605	--	893,910,309	21,160,085,508	7.59
2020-21	21,549,068,307	--	954,475,194	22,503,543,501	6.30
2021-22	23,070,587,354	--	955,113,724	24,025,701,078	6.76

(1) “Other Property” includes recreational, institutional, vacant, and miscellaneous property.
Source: City of Fontana Comprehensive Annual Financial Report for Fiscal Year 2019-20.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less.

A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a “decline-in-value.” As of the January 1st (lien date) each year, the Assessor must enroll either a property’s Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a “Proposition 8 Value.” “Proposition 8 values” are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

No Teeter Plan. The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. However, the City has elected not to participate in the County’s Teeter Plan and the City is therefore exposed to the risk of delinquencies in the payment of property taxes. However, the City also receives penalties and interest when property taxes are paid late. Substantial delinquencies in the payment of property taxes in the City could have an adverse effect on the City’s ability to make timely payments on the Series 2021A Bonds.

Property Tax Levies and Collections. The following table shows secured property tax levies and tax collections for Fiscal Years 2015-16 through 2019-20. The amounts shown are for City property taxes only.

**Table 8
CITY OF FONTANA
Secured Property Tax Levies and Collections ⁽¹⁾**

Fiscal Year	Total Tax Levy	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2015-16	\$113,506,111	\$111,597,786	98.32%	\$3,831,683	\$115,429,469	101.69%
2016-17	119,654,563	119,603,224	99.96%	4,854,405	124,457,629	104.01%
2017-18	127,184,740	125,598,821	98.75%	9,181,081	134,779,902	105.97%
2018-19	142,694,316	143,337,907	100.45%	9,872,337	153,210,244	107.37%
2019-20	154,229,189	150,597,488	97.65%	8,429,212	159,026,700	103.11%

(1) Includes property taxes collected in the former project areas of the City’s former redevelopment agency.
Source: San Bernardino’s Auditor-Controller’s Office.

Major Property Taxpayers. The top ten property taxpayers, based on assessed values of taxable property in the City, as shown on the 2021-22 tax roll, are set forth in the following table.

**Table 9
CITY OF FONTANA
Top Ten Taxpayers Based on Assessed Value
Fiscal Year 2021-22**

Property Owner	Taxable Assessed Value	% of Total
1. Duke Realty LP	\$188,679,125	0.79%
2. GLC Fontana LLC	168,685,357	0.70
3. San Gabriel Valley Water Company	144,589,954	0.60
4. Vintage Park East LLC	135,437,610	0.56
5. Target Corporation	129,474,525	0.54
6. Northwestern Mutual Life Insurance Co	110,338,280	0.46
7. Fairfield Potomac Club LLC	109,687,838	0.46
8. 10825 Production Owner LLC	105,633,138	0.44
9. Citrus Avenue LLC	99,271,641	0.41
10. DCT Jurupa Ranch LLC	99,192,276	0.41
TOTAL	\$1,290,989,744	5.37

Source: San Bernardino County Assessor.

Redevelopment Dissolution Act. The State’s Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the “incremental value”) occurring after the year the project area is formed. In effect, local taxing agencies, such as the City, realize tax revenues only in the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. Although Assembly Bill No. 26 (“**AB X1 26**”), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies, continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012, and as such statutory provisions have and may further be amended from time to time (as amended, the “**Dissolution Act**”). Pursuant to the Dissolution Act, the City’s former redevelopment agency, the Fontana Redevelopment Agency (the “**Former Agency**”) was dissolved and succeeded by the Successor Agency to the Fontana Redevelopment Agency (the “**Successor Agency**”).

Under the Dissolution Act, taxing entities, such as the City, are to receive distributions (in proportion to such taxing entity’s share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value on each June 1 and January 2, commencing June 1, 2012, after payment of (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former redevelopment agency and its successor agency are paid and retired, residual amounts of

property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

In 2014, in accordance with the Dissolution Act, the State Controller's Office reviewed all asset transfers made by the Former Agency to the City and any other public agency after January 1, 2011. Based on its review the State Controller's Office concluded that the Former Agency made unallowable transfers to the City totaling approximately \$7.1 million. In response, the State Controller's Office issued an order directing the City to turn over such funds to the Successor Agency. As of the date hereof, no such funds have been turned over by the City to the Successor Agency.

The City believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Dissolution Act. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City. In the event that this issue is resolved unfavorably to the City, the City does not believe it will materially adversely affect its ability to make Base Rental Payments under the Lease Agreement as scheduled.

Charges for Services

The City provides various services which generate revenue for the General Fund. Services provided by the City include building construction and planning fees, engineering encroachment inspections, police fees such as fingerprinting, police reports, and towing, ambulance services and the administration of local assessment districts, as well as recreation fees including class registrations, center rentals, sports, pool, field and court revenues. As shown in Table 4, charges for services represented the third largest source of tax revenues for the City's General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 11% of the City's total General Fund revenues for Fiscal Year 2019-20. The City's charges for services are estimated to total \$11.4 million for Fiscal Year 2020-21, a decrease of approximately \$520,000 (or less than 1%) when compared to Fiscal Year 2019-20. The decrease for charges for services experienced in Fiscal Year 2020-21 is primarily due to the closure of recreation facilities as a result of Shelter-in-Place orders that were implemented in response to the COVID-19 pandemic. Based on the 2021-23 Adopted Budget, the City's property tax revenues are projected at \$13 million for Fiscal Year 2021-22.

Franchise Taxes

The City levies a franchise fee on its cable television, trash collection, utility franchises, taxi cabs, natural gas piping and ambulance service. As shown in Table 4, franchise taxes represented the fourth largest source of tax revenues for the City's General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 7% of the City's total General Fund revenues for Fiscal Year 2019-20. The City's franchise taxes are estimated to total \$8.3 million for Fiscal Year 2020-21. Based on the 2021-23 Adopted Budget, the City's franchise taxes are projected to remain at \$7 million for Fiscal Year 2021-22.

Business License Taxes

The City levies a business license tax based principally on gross receipts and on number of employees. The tax was not approved by majority vote of the electorate, although the current tax was approved prior to the passage of Proposition 62 and has not been increased. As shown in Table 4, business license taxes represented the fifth largest source of tax revenues for the City's General Fund in each of Fiscal Years 2015-16 through 2019-20, comprising approximately 5.5% of the City's total General Fund revenues for Fiscal Year 2019-20. The City's business license taxes are estimated to total \$6.7 million for Fiscal Year 2020-21.

Long-Term General Fund Obligations

In addition to the Series 2021A Bonds, the City makes scheduled periodic payments pursuant to certain other outstanding long term agreements. Below are descriptions of the City's outstanding long-term agreements, in connection with which General Fund appropriations are made annually. This excludes bonds payable by the City or its related entities from special revenues, such as special tax bonds and tax allocation bonds. For additional information, see the notes to the City's 2019-20 audited financial statements included in Appendix C.

2010 Bonds. The 2010 Bonds are outstanding in the aggregate principal amount of \$4,995,000. A portion of the proceeds of the Series 2021A Bonds will be used to refinance all of the outstanding 2010 Bonds. See "FINANCING PLAN – Refinancing of 2010 Bonds."

2014 Bonds. In November 2014, the Authority issued its Lease Revenue Refunding Bonds, Series 2014A (the "**2014 Bonds**"), in the original principal amount of \$37,675,000. The 2014 Bonds are outstanding in the aggregate principal amount of \$28,980,000. The 2014 Bonds pay interest semi-annually at rates ranging from 3.875% to 5.000% and finally mature on September 1, 2037.

Overlapping Debt Statement

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated August 1, 2021. This Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy.

Table 10
CITY OF FONTANA
Direct and Overlapping Debt

2020-21 Assessed Valuation: \$24,025,701,078

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/21</u>
Metropolitan Water District	0.56%	\$151,321
Chaffey Community College District	15.404	48,598,080
San Bernardino Community College District	3.597	25,114,330
Chaffey Joint Union High School District	7.590	39,127,720
Colton Joint Unified School District	18.461	34,917,627
Fontana Unified School District	77.817	209,529,930
Rialto Unified School District	7.000	6,574,828
Etiwanda School District	29.431	25,633,447
Colton Joint Unified School District Community Facilities District No. 3	100.000	5,205,000
Etiwanda School District Community Facilities District No. 4	100.000	1,640,000
Etiwanda School District Community Facilities District No. 7	74.583	5,668,308
Etiwanda School District Community Facilities District No. 8	35.493	1,483,607
Etiwanda School District Community Facilities District No. 9	30.332	2,130,823
Etiwanda School District Community Facilities District No. 2001-1	100.000	2,665,000
Etiwanda School District Community Facilities District No. 2004-1 I.A. No. 1 & 2	100.000	18,275,000
City of Fontana Community Facilities Districts	100.000	<u>154,275,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$580,990,021
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	8.990%	\$19,247,141
San Bernardino County Pension Obligation Bonds	8.990	10,773,167
San Bernardino County Flood Control District General Fund Obligations	8.990	4,025,722
Chaffey Community College District General Fund Obligations	15.404	4,457,147
Fontana Unified School District Certificates of Participation	77.817	17,205,339
Rialto Unified School District Certificates of Participation	7.000	760,800
Cucamonga School District Certificates of Participation	5.237	220,321
City of Fontana General Fund Obligations	100.000	<u>36,185,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$92,874,637
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
COMBINED TOTAL DEBT	3.789 - 100.00%	\$200,491,762
		\$874,356,420 ⁽²⁾
 <u>Ratios to 2021-22 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt	2.42%	
Total Direct Debt (\$36,185,000)	0.15%	
Combined Total Debt	3.64%	
 <u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$16,841,940,620):</u>		
Total Overlapping Tax Increment Debt	1.19%	

(1) Excludes the Series 2021A Bonds.

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

Source: California Municipal Statistics, Inc.

Employee Retirement System

This section contains certain information relating to the California Public Employees' Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The Comprehensive Annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Description of Plans. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) (the "**Safety Plan**") and Miscellaneous (all other) Plans (the "**Miscellaneous Plan**" and together with the Safety Plan, the "**Plans**"), an agent multiple-employer defined benefit pension plan administered by CalPERS.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The provisions and benefits of each Plan that were in effect at June 30, 2020, are summarized as follows:

Miscellaneous Plan

Hire Date	Prior to July 1, 2011	On or after July 1, 2011
Benefit formula	2.5% @ 55	2% @ 55
Final Average Compensation Period	Highest 1-year salary	Final 3-year average
Benefit vesting schedule	5 yrs credited service	5 yrs credited service
Benefit payments	Monthly	Monthly
Retirement age	55 and above	55 and above
Monthly benefit basis	Benefit factor, years of	Benefit factor, years of
Required employee contribution rates	8%	7%
To be paid by employee	3%	8%
To be paid by the city	5%	--
Required employer contribution rates	9.032%	9.032%

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Safety Plan

	Tier I	Tier II	Tier III
Hire Date	Prior to July 1, 2011	On or after July 1, 2011	After January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Final Average Compensation Period	Highest 1-year salary	Final 3-year average	Final 3-year average
Benefit vesting schedule	5 yrs credited service	5 yrs credited service	5 yrs credited service
Benefit payments	Monthly	Monthly	Monthly
Retirement age	50 and above	50 and above	50 and above
Monthly benefit basis	Benefit factor, years of	Benefit factor, years of	Benefit factor, years of
Required employee contribution rates	9%	9%	--
To be paid by employee	--	9%	50% of Normal Costs
To be paid by the city	9%	--	--
Required employer contribution rates	19.221%	19.221%	19.221%

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Employees Covered. As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms of each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	452	171
Inactive employees entitled to but not yet receiving benefits	877	66
Active employees	560	185
Total	1,889	422

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

California Public Employees’ Pension Reform Act of 2013. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered “Classic” employees. California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation and retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months of compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2% of the average final 12 months of compensation and retirement benefits for Classic safety employees are calculated as 3% of the average final 12 months compensation. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit. PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

**CalPERS Pension Compensation Limits for
Calendar Year 2021 (Classic and PEPRA members)**

	<i>Classic</i>	<i>PEPRA</i>
Maximum Pensionable Income	\$290,000	\$153,671 ⁽¹⁾

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$128,059.
Source: CalPERS Payroll Circular Letter dated January 6, 2021.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

Required Contributions. Section 20814(c) of the Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The City contribution rates may change if plan contracts are amended. Beginning in Fiscal Year 2017-18, CalPERS collects employer contributions for each plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the UAL. The dollar amounts are billed on an annual basis. The actuarially determined normal cost rates and UAL contribution amounts for each Plan for Fiscal Years 2020-21, 2021-22 and 2022-23 are as follows:

	<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>		<u>Fiscal Year 2022-23</u>	
	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL
Miscellaneous Plan	9.377%	\$4,533,202	9.32%	\$5,259,122	9.21%	\$5,888,855
Safety	20.212	7,560,381	19.78	9,161,493	19.40	10,112,558

Source: CalPERS Actuarial Reports dated July 2019, July 2020 and July 2021.

The City's estimated total contribution amounts (including the required normal cost and UAL contributions) and as a percentage of estimated covered payroll for the Plans in Fiscal Years 2020-21, 2021-22, and 2022-23 are as follows:

	<u>Fiscal Year 2020-21</u>		<u>Fiscal Year 2021-22</u>		<u>Fiscal Year 2022-23</u>	
	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll
Miscellaneous Plan	\$7,625,280	23.124%	\$8,379,489	25.03%	\$8,911,893	27.15%
Safety	12,327,158	52.269	13,997,699	57.25	14,894,025	60.43

Source: CalPERS Actuarial Reports dated, July 2019, July 2020 and July 2021.

Projected Employer Contributions. The following tables show the City's actuarially-determined required employer contribution for Fiscal Year 2022-23 and projected employer contributions (before cost sharing) for Fiscal Years 2023-24 through 2027-28 for each Plan by

normal cost (expressed as a percentage of total active payroll) and amortization of the unfunded accrued liability (expressed as a dollar amount). The projections assume a 7.00% annual rate of return for Fiscal Year 2020-21 but do not include any reductions in the normal cost that will occur over time as new employees are hired into PEPRA or other lower cost benefit tiers.

Miscellaneous Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	9.21%	9.1%	8.9%	8.8%	8.6%	8.5%
UAL Payment	\$5,888,855	\$6,385,000	\$6,891,000	\$6,651,000	\$6,529,000	\$6,693,000

Safety Plan

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	19.41%	19.0%	18.7%	18.3%	18.0%	17.6%
UAL Payment	\$10,112,558	\$10,860,000	\$10,371,000	\$10,873,000	\$11,282,000	\$11,553,000

Source: CalPERS Actuarial Reports dated July 2021.

As previously described, the City maintains the PERS Reserve to smooth out fluctuations in contribution rates to the Plans. The City estimates that the balance in the PERS Reserve was approximately \$5.9 million as of June 30, 2021. See "CITY FINANCIAL INFORMATION – Reserve Policy" for additional information regarding the PERS Reserve.

Funded Status. The following table sets forth the schedule of funding for the Plans for the actuarial valuations as of June 30 of the years 2017 through 2020.

Valuation Date Ended June 30	Accrued Liability	Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
Miscellaneous Plan					
2017	\$191,680,403	\$141,378,443	\$50,301,960	73.8%	\$28,422,636
2018	213,651,602	152,866,595	60,785,007	71.5	30,397,711
2019	226,342,282	162,956,072	63,386,210	72.0	30,863,432
2020	237,405,409	170,257,751	67,147,658	71.7	30,257,878
Safety Plan					
2017	\$245,301,981	\$153,671,261	\$91,630,720	62.6%	\$21,199,743
2018	272,946,997	167,117,927	105,829,070	61.2	21,740,521
2019	293,427,471	178,353,600	115,073,871	60.8	22,538,914
2020	308,930,382	187,000,928	121,929,454	60.5	22,720,292

(1) Based on the market value of assets.
Source: CalPERS Actuarial Reports Dated July 2021.

There is a two-year lag between the valuation date and the start of the contribution Fiscal Year. The UAL was determined in the June 30, 2020 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2022-23. This two-year lag is necessary due to the amount of time needed to extract and test the membership and

financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the Fiscal Year.

Net Pension Liability. The City’s net pension liability for the Miscellaneous Plan and the Safety Plan totaled approximately \$58 million and \$103 million, respectively, measured as of June 30, 2019, using an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. For the year ended June 30, 2020, the City recognized pension expense of \$11,682,701 for the Miscellaneous Plan and \$14,882,930 for the Safety Plan.

Sensitivity to Changes in Discount Rate. The discount rate used to measure the total pension liability at June 30, 2019 with respect to the Plans was 7.15%. The following tables present the City’s proportionate share of the net pension liability for the Miscellaneous Plan and the Safety Plan, calculated using the discount rate for the Plans, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 100 basis points higher or 100 basis points lower than the current rate:

Miscellaneous Plan

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Net Pension Liability	\$90,598,614	\$58,412,371	\$32,095,569

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Safety Plan

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase 8.15%)</u>
Net Pension Liability	\$144,671,169	\$102,988,735	\$69,069,747

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City’s required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City’s required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00%. While CalPERS has not officially announced plans to reduce the discount rate further at this time, a reduction to 6.8% is anticipated in Fall 2021.

Investment Performance. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The CalPERS Fiscal Year 2019-20 investment gain of 4.7% is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. CalPERS has preliminarily reported a 21.3% investment return for Fiscal Year 2020-21.

The CalPERS website contains the most recent actuarial valuation reports for the City’s Miscellaneous Plan and Safety Plan and other information that concerns benefits and other matters. The Comprehensive Annual financial reports of CalPERS are also available on CalPERS’ Internet website at www.calpers.ca.gov. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the City nor the Underwriter guarantee the accuracy of such information.

See “APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 – Note (12)” for additional information regarding the Plans, including a description of the actuarial methods and assumptions used to measure the City’s net pension liability as of the June 30, 2019 measurement date.

Other Post-Employment Benefits

Plan Description. The City provides post-retirement health care benefits (the “**OPEB Plan**”) in accordance with City Council approval to all employees who retire from the City on or after reaching age 50 or over with at least five years of CalPERS-credited service. The post-retirement health care benefits are provided to eligible retirees by the City, as a single-employer plan. Additional requirements are set forth in the individual contracts for executive positions or in the Memorandum of Understanding (“**MOUs**”) for the five bargaining units operating within the City. The amount the City provides on the behalf of retirees is dictated in the MOUs. As of June 30, 2019, there were 242 inactive employees or beneficiaries currently receiving benefits and 557 active employees.

Contributions. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2020, the City’s cash contributions were \$2,370,000 in the form of current premiums, which is funded through the General Fund, and the estimated implied subsidy was \$755,988 resulting in total payments of \$3,125,988.

Total OPEB Liability. As of the June 30, 2019 measurement date, the City’s total OPEB liability (and its net OPEB liability) was approximately \$66.3 million.

The following presents the OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Discount Rate – 1% 2.51%	Current Discount Rate 3.51%	Discount Rate + 1% 4.51%
Net OPEB Liability	\$76,262,603	\$66,321,967	\$58,299,697

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual requires contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$1,355,578. As of fiscal year ended June 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
OPEB contributions subsequent to measurement date	\$2,912,729	\$ --
Total	\$2,912,729	\$ --

Source: City of Fontana Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

The \$2,912,729 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2020.

See “APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 – Note (11)” for additional information regarding the Healthcare Plan, including a description of the actuarial methods and assumptions used to measure the City’s net OPEB liability as of the June 30, 2019 measurement date.

Employee Relations

The City had 605 authorized positions at the beginning of Fiscal Year 2021-22. The City’s employees are represented by the following labor groups. In the previous five years, there have not been any work stoppages by City employees.

**Table 11
CITY OF FONTANA
City Employee Labor Groups**

<u>Labor Group</u>	<u>Number of Budgeted Employees</u>	<u>Contract Expiration Date</u>
Management Confidential	101	06/30/21 ⁽¹⁾
Police Management	33	06/30/23
Police Officers	173	06/30/22
City Hall	132	06/30/21 ⁽¹⁾
City Yard	67	06/30/20 ⁽¹⁾
Police Benefit	80	06/30/21

(1) The City and the respective labor groups are currently engaged in discussions regarding new collective bargaining agreements.

Source: City of Fontana.

Risk Management

The City established risk management programs for workers’ compensation in 1978-79 and for general liability in 1983-84, which are accounted for in the City’s General Fund. The programs are supported by contributions from the other principal City funds and intra-fund transfers.

Effective with an excess coverage insurance policy on July 1, 1992, the workers' compensation program provides for self-insurance up to a maximum of \$1,000,000 per incident. The claims which exceed the limit are insured up to a maximum per incident of \$45,000,000. Under the City's excess insurance policy for general liability, all claims incurred after October 1, 1992, are self-insured up to a maximum of \$1,000,000 per incident. The claims which exceed the limit are insured up to a maximum per incident of \$25,000,000. The City is self-insured for general liability claims incurred prior to October 1, 1992. There have been no significant changes in insurance coverage in the last three years. The amount of settlements has not exceeded the amount of insurance coverage for each of the past three fiscal years.

Investment Policies and Procedures

The City's current investment policy (the "**Investment Policy**"), rendered annually to the City Council by the City Treasurer pursuant to Section 53646 of the Government Code of the State was approved by the City Council on May 25, 2021. The Investment Policy provides guidelines for the prudent investment of the unexpended cash in the City's treasury and outline policies for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash. The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity.

Cash management and investment transactions are the responsibility of the Management Services Director or designee. At least quarterly, the Investment Review Committee, consisting of the City Treasurer, Management Services Director/Deputy City Treasurer, Budget Manager and Accounting Manager, shall meet to discuss the status of current investments, strategies for future investments, and other matters deemed relevant, and shall report to the City Council as necessary. At least twice a year, these meetings shall include a representative at the partner or manager level from the City's external auditing firm.

Investment of City funds is governed by the California Government Code Sections 16429.1 and 53601. Investments may not have a term or maturity at the time of investment of longer than that authorized by Section 53601 or five years (measured by settlement date) unless the City Council has granted express authority, no less than 3 months prior to the investment, for a specific investment to exceed such limit.

It should be noted that while the Government Code specifies the maximum percentage of the portfolio which may be held in each type of investment at any one time, fluctuations in the portfolio balance will prevent strict adherence to such restrictions. Therefore, percentage limitations in the Investment Policy apply to investments at the time of purchase.

The par value, market value, costs basis, and percent of total investments by market value for each category of the City's investments, as June 30, 2021, are set forth in the following table:

Table 11
CITY OF FONTANA
Investment Portfolio as of June 30, 2021

Investment Type	Cost Basis	Market Value	% of Total Market Value
Sweep Account MM	\$ 10,260,788.62	\$ 10,260,788.62	2.29%
U.S. Treasuries	202,672,218.15	202,628,856.24	45.16%
Agency Securities	56,955,300.00	56,607,020.00	12.62%
Corporates	24,291,056.95	25,275,074.58	5.63%
Asset Backed Securities	1,129,778.79	1,129,778.79	0.25%
CDs and BAs	4,349,910.00	4,348,593.00	0.97%
Local Agency Investment Fund	148,442,629.49	148,454,945.77	33.09%
Total	\$448,101,682.00	\$448,705,057.00	100.00%

Source: City of Fontana.

State Budget

Although the City does not receive a significant portion of its annual revenues directly from the State, the State’s financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress.

In recent years, State budgets have been balanced. At the time the State’s Fiscal Year 2020-21 budget was adopted, the State projected a \$54.3 billion deficit, primarily due to the COVID-19 pandemic. Due primarily to higher than expected personal income tax receipts, the Legislative Analyst’s Office has indicated that the State may receive approximately \$26 billion more revenue than projected for Fiscal Year 2020-21. However, the ultimate impact of the COVID-19 pandemic on the State’s finances is uncertain and State budget deficits may continue in future years. To the extent that the State budget process results in reduced revenues to the City in the future, the City could be required to make adjustments to its budget.

THE AUTHORITY

The Authority is a joint exercise of powers authority, duly organized and validly existing under and pursuant to a Joint Exercise of Powers Agreement, dated September 1, 2014 (the “**Joint Powers Agreement**”), by and between the City and the Fire Protection District (collectively, the “**Members**”). The Joint Powers Agreement was entered into pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “**Joint Exercise of Power Act**”). The governing body of the Authority consists of the same individuals who comprise the members of the City Council.

The Authority was created for the purpose of assisting the Members with the financing of capital projects. The Authority is authorized to provide financing or refinancing of Public Capital Improvements (within the meaning of the Joint Exercise of Powers Act) for the City. Pursuant to the Joint Exercise of Powers Act, the Authority has the power to issue bonds to pay the cost of any public capital improvement.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the 1975-76 fiscal year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Articles XIII C and XIII D of the California Constitution.

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

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

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

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

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIII C provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.”

Similarly, Article XIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIID.

Impact on City’s General Fund. The approval requirements of Articles XIIC and XIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Judicial Interpretation. The interpretation and application of Articles XIIC and XIID will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations. In addition to the limits Article XIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district’s revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

Statutory Revenue Limitations - Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively. In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-2005 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-2007, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-2009, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax

revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Proposition 22

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

Unitary Property

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

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

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City’s ability to expend revenues. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the Series 2021A Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Series 2021A Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Series 2021A Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Series 2021A Bonds. There can be no assurance that other considerations will not materialize in the future.

Limited Obligations

The Series 2021A Bonds are limited obligations of the Authority payable solely from and secured solely by the Base Rental Payments pledged therefor under the Indenture, together with amounts on deposit from time to time in certain funds and accounts held by the Trustee. If for any of the reasons described below, or for any other reason, the Authority does not receive sufficient Base Rental Payments to pay debt service on the Series 2021A Bonds, the Authority will not be obligated to utilize any other of its funds, other than amounts on deposit in certain funds and accounts established under the Indenture, to pay debt service on the Series 2021A Bonds.

The Base Rental Payments are not secured by any pledge of or lien on taxes or other revenue of the City, but are payable from all funds lawfully available to the City. The City has the capacity to enter into other obligations that may constitute additional obligations against its revenues, including any Additional Bonds. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other obligations before making Base Rental Payments; in that case, the failure to pay Base Rental Payments in full would constitute a default under the Lease Agreement (see “– Additional Obligations of the City” below). The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues; in that case, the failure to pay Base Rental Payments in full would constitute a default under the Lease Agreement. The City must adopt a balanced Budget each year, and has covenanted in the Lease Agreement to budget for, appropriate and make the Base Rental Payments in each year that it has possession and use of the Property.

Abatement of Lease

Under California law, the obligation of the City to make Base Rental Payments is contingent upon the availability of the Property for use and occupancy by the City. The Base Rental Payments will be abated proportionately during any period in which by reason of material damage or destruction, there is substantial interference with the use and occupancy of any portion of the Property by the City, and such abatement will continue until substantial completion of the work of repair or replacement of the portion of the Property damaged or destroyed; provided that, in determining the amount of abatement. Any abatement of Base Rental Payments could affect the Authority's ability to pay debt service on the Series 2021A Bonds. However, there will be no abatement of Base Rental Payments under the Lease Agreement to the extent that the proceeds of property insurance or rental interruption insurance are available to pay Base Rental Payments that would otherwise be abated.

In the event Base Rental Payments are abated, no assurances can be given that the proceeds of property insurance (which is not expected to be available to cover earthquake damage) or rental interruption insurance will be sufficient to pay the debt service on the Series

2021A Bonds during the period of such abatement. See “SECURITY FOR THE SERIES 2021A BONDS – Abatement” and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Notwithstanding the provisions of the Lease Agreement specifying the extent of abatement in the event of the City’s failure to have full use and occupancy of the Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal and interest with respect to the Series 2021A Bonds.

Limitation on Remedies

The enforcement of any remedies provided for in the Lease Agreement and in the Indenture could prove to be both expensive and time-consuming. Although the Lease Agreement provides that upon the occurrence and during the continuance of an Event of Default the Trustee may take possession of and re-let the Property, no assurance can be given that the amounts received from such reletting would be sufficient to pay the principal of and interest with respect to the Series 2021A Bonds when due. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

In addition to the limitations on remedies contained in the Lease Agreement and the Indenture, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors’ rights generally. The various legal opinions to be delivered concurrently with the issuance of the Series 2021A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors’ rights, including equitable principles. See “– Bankruptcy Risks” below.

Limitation on Trustee’s Obligations under the Indentures

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee’s willingness and ability to pursue any of the remedies provided in the Indenture, Lease Agreement or Assignment Agreement may be dependent upon the availability of funds from an interested party. Additionally, the Trustee is not required to acquire possession of the Property if doing so subjects it to potential liability. There can be no assurance that the Trustee will be willing and able to perform its duties under the Indenture.

Release of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute or release a portion of the Property upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. Moreover, the City may issue Additional Bonds secured by Base Rental Payments which are increased above current levels. See the captions “THE PROPERTY – Substitution or Release of the Property” and “SECURITY FOR THE SERIES 2021A BONDS – Additional Bonds.”

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the

maximum Base Rental Payments for the Property coming due in the then-current Fiscal Year or in any subsequent Fiscal Year, it does not require that the Property have an annual fair rental value equal to the annual fair rental value of the Property prior to the substitution release of any portion thereof. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a substitution or release could have an adverse impact on the security for the Series 2021A Bonds, particularly if an event requiring abatement of the Base Rental Payments were to occur subsequent to such substitution or release.

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Lease Agreement will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount that is sufficient to pay the principal of and interest on such Additional Bonds; provided, however, that no such amendment may be made such that the sum of such Base Rental Payments, including any increase in Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Fiscal Year is in excess of the annual fair rental value of the applicable Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See the caption “SECURITY FOR THE SERIES 2021A BONDS – Additional Bonds” for a full description of the requirements that must be met in order for the Authority to deliver Additional Bonds.

Insurance on the Property

Under the Lease Agreement, the City is required to maintain through the term of the Lease Agreement policies of insurance covering loss or damage to the Property up to replacement costs and covering title defects. If the Property is damaged or destroyed, there can be no assurance that the insurance proceeds will be sufficient to repair or restore the Property, or to redeem or defease all of the then-Outstanding Series 2021A Bonds. In addition, neither the Authority nor the City can provide any assurance as to whether the provider of an insurance policy will pay under such policy. See the caption “SECURITY FOR THE SERIES 2021A BONDS – Insurance” for a description of the insurance coverages that are required by the Lease Agreement. See the caption “THE CITY – Risk Management” for a description of the City’s current insurance coverages. Certain risks, such as earthquakes and floods, are not required to be covered under the Lease Agreement and the City is not required to maintain such coverage during the term of the Lease Agreement.

Condemnation of the Property

If all or a portion of the Property were condemned, there can be no assurance that any such award or payment will be sufficient at the time to prepay or defease all of the then-Outstanding Series 2021A Bonds. If the award is less than the amounts remaining on such Outstanding Series 2021A Bonds, then the Owners will be paid less than the amounts remaining on such Outstanding Series 2021A Bonds.

Value of Property

In the event that the Trustee re-enters or re-lets the Property upon the occurrence of an Event of Default, there can be no assurance such actions will provide funds in an amount that is sufficient to pay the principal of and interest on the Series 2021A Bonds. The security under the Lease Agreement extends only to the Authority’s leasehold interest in the Property granted under the Ground Lease and is subject to the restrictions of the Ground Lease. The Property has not been appraised in connection with the issuance of the Series 2021A Bonds.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments for the term of the Lease. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Early Prepayment Risk

Early payment of the Base Rental Payments and early prepayment of the Series 2021A Bonds may occur in whole or in part, without premium, from the proceeds of title insurance, on any date, if the Property, or a portion thereof, is lost, destroyed or damaged beyond repair or taken by eminent domain and if the City exercises its right to prepay the Base Rental Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Indenture.

Bankruptcy Risks

The rights of the owners of the Series 2021A Bonds and the enforceability of the Authority’s obligation to make payments on the Series 2021A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights under currently existing law or laws enacted in the future, and may also be subject to the exercise of judicial discretion under certain circumstances.

Under existing law, the City is eligible to file for bankruptcy. Should the City file for bankruptcy, there could be adverse effects on the holders of the Series 2021A Bonds. In a bankruptcy of the City, the Authority or the Trustee as its assignee and the owners of the Series 2021A Bonds may be prohibited from taking any action against the City, any official of the City, or any property of the City (including the Property) to enforce the terms of the Lease Agreement, unless the consent of the bankruptcy court is first obtained. The bankruptcy court is not required to give its consent. This prohibition on action may even prohibit the Trustee from using funds in its possession to make payments on the Series 2021A Bonds. As a result, Owners may experience temporary or permanent delays in the payment of the Series 2021A Bonds.

In a bankruptcy case, a plan of adjustment for the City could be confirmed that would allow for enforcement of the Lease Agreement, but the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Series 2021A Bonds may be altered by the bankruptcy court. Such a plan could be confirmed even over the objections of the Authority or the Trustee as its assignee and the owners of the Series 2021A Bonds, and without their consent. Additionally, the resulting plan could adjust some or all of the City’s financial obligations, which include the City’s lease payment obligations under the Lease Agreement to and the City’s obligation to fund certain retirement benefits.

The adjustment plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the Series 2021A Bonds. The City can provide no assurance about the outcome of the bankruptcy cases of other California municipalities of the nature of any adjustment plan if it were to file for bankruptcy.

In addition, if the Lease Agreement is determined to constitute a “true lease” by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose not to perform under the Lease Agreement and the claim of the owners of the Series 2021A Bonds could be substantially limited. An allowable claim could be substantially less than the amount of the Series 2021A Bonds outstanding, resulting in the owners of the Series 2021A Bonds suffering a substantial loss.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Series 2021A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the owners of the Series 2021A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental Payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State’s own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS – Limitations on Revenues – Expenditures and Appropriations.”

Limitations on Taxes and Fees

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Base Rental Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIII C and Article XIII D of the State Constitution on the City’s finances. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Additional Obligations of the City

The City has existing obligations payable from its General Fund. The City is permitted to enter into other obligations which constitute additional charges against its revenues, including

Additional Bonds payable from a lease of the Property, without the consent of Owners of the Series 2021A Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental Payments to the Owners of the Series 2021A Bonds may decline. See “CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations” and “SECURITY FOR THE SERIES 2021A BONDS – Additional Bonds.”

The Base Rental Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City’s revenues for such year, the City may choose to make some payments rather than making other payments, including Base Rental Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Property Taxes

Levy and Collection. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City’s property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Base Rental Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City’s ability to pay principal of and interest on the Series 2021A Bonds when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.” Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals

board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as “Proposition 8” appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues.

Public Health Emergencies

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

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City’s operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described in this Official Statement. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City’s operations and finances.

Collection of Taxes. On March 30, 2020, the Governor issued Executive Order N-40-20, which delayed the deadline for the filing and payment of sales and use taxes by 90 days for all but the largest taxpayers. Under Executive Order N-40-20 and a subsequent notice from the California Department of Tax and Fee Administration, businesses with less than \$5 million in taxable annual sales are authorized to defer up to \$50,000 in sales tax and enter into a 12-month, zero interest payment plan. The Governor has also issued an Executive Order for waivers of late penalties on property taxes. Such efforts to relieve the financial impact of the COVID-19 pandemic on taxpayers have not resulted in significant delays in revenue collection by the City.

On May 6, 2020 in response to the COVID-19 pandemic, the Governor issued Executive Order N-61-20 to allow qualified taxpayers to request relief of penalties on property taxes for owner occupied residential real property and real property owned and operated by a taxpayer that qualifies as a small business under the Small Business Administration's Regulations, Code of Federal Regulations Title 13, section 121.201. To be eligible for penalty relief taxpayers must fall into one of two categories: (i) owner occupied residential real property; or (ii) real property owned and operated by a taxpayer qualified as a small business. For homeowners requesting penalty relief on property taxes for a residential real property that the homeowner occupies, the homeowner may qualify for penalty relief if all of the following are true: (i) taxes on real property were current as of March 4, 2020; (ii) the homeowner was unable to pay on time and that inability was due to a COVID-19 pandemic related impact; (iii) the homeowner was able to submit payment of the original tax amount due with the request for relief; and (iv) the homeowner's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the homeowner satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and must provide documentation to support the request.

To be eligible for penalty relief for real property owned and operated by a taxpayer as a qualified small business, the taxpayer may qualify for penalty relief if all of the following are true: (i) taxes on the real property were current as of March 4, 2020; (ii) the business was unable to pay on time and that inability was due to a COVID-19 related impact; (iii) the taxpayer is able to submit payment of the original tax amount due with the request for relief; and (iv) the taxpayer's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the taxpayer satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and will need to provide documentation to support their request.

The negative impacts from the COVID-19 pandemic on the City's revenues in Fiscal Year 2019-2020 and 2020-2021 are anticipated to continue into Fiscal Year 2021-2022 and potentially several Fiscal Years beyond depending on the pace of recovery of the local economy to the levels which existed prior to the outbreak of the COVID-19 pandemic. See "CITY FINANCIAL INFORMATION" herein.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2019-20, sales tax revenues were the largest source of revenue to the City. See "CITY FINANCIAL INFORMATION – Sales and Use Taxes." Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. Most recently, the City's collection of sales tax revenues has been impacted by the COVID-19 pandemic. See "BOND OWNERS' RISKS – Public Health Emergencies – Collection of Taxes" above for a discussion of Executive Order N-40-20.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218 – Article XIII C and Article XIII D."

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the California Department of Tax and Fee Administration for administering the City's sales tax could also be changed. See "CITY FINANCIAL INFORMATION."

Increasing Retirement Related Costs

The City is required to make contributions to CalPERS and to the OPEB Plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. The City notes that pension contributions in future years may increase as a result of investment losses in CalPERS' portfolio. There can be no assurances that actual increases in required contributions will not be higher than the amounts which are currently projected by the City. See "CITY FINANCIAL INFORMATION – Employee Retirement System."

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances area also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect assessed values of property in the City and the operations and finances of the City.

Natural Hazards

The value of the Property, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the City could be diminished in the aftermath of such events. A substantial reduction of the value of such properties could affect the ability or willingness of the property owners to pay their property taxes. [The Property is not within a flood plain designated by the Federal Emergency Management Administration.]

Seismic. There are several identified faults within close proximity to or within the boundaries of the City that could potentially result in damage to buildings, roads, bridges, and property within the City, including the Property, in the event of an earthquake. In addition, there may be other as yet unidentified faults in the area. The four nearest known faults within close proximity to the City are the San Andreas Fault (7.5 miles to the northeast), the Cucamonga Fault

(2.5 miles to the northeast), the San Ysidro Fault (5.5 miles to the northeast) and the North Lytle Creek Fault (5 miles to the northeast). While past experiences have resulted in minimal damage to the infrastructure and property within the City there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. While certain of the property within the City has been developed in conformity with the 1988 Uniform Building Code standards, such compliance is no guarantee that such buildings will not be severely damaged in an earthquake.

If there were to be an occurrence of severe seismic activity in the City, there could be an abatement or adverse impact on the City's ability to pay the Base Rental Payments. The Lease Agreement does not require that the City maintain earthquake insurance with respect to the Property.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the Property, as well as public and private improvements within the City in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition. See "– Abatement of Lease" above.

Wildfires. In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events.

Certain portions of the City are located in areas identified by Cal Fire's 2008 High Fire Hazard Severity Zones as being very susceptible to wildfires. The last major wildfire in the vicinity of the City was the Grand Prix Fire in October 2003. There have been smaller fires, such as the 147-acre Sierra Fire that burned in November 2018 and the 277-acre Karen Fire in July of 2020.

The northwestern corner of the City has high hazard chaparral vegetation and steep slopes. This area is also subject to high, hot Santa Ana winds that blow from the north-northeast down the Cajon Pass. The Jurupa Mountains also have high grasses and locally steep slopes. Residential developments located next to high fire hazard areas are at high risk of being impacted by fire, especially if the structures are not properly protected and there is inadequate vegetation management. Fire models indicate that a fire in these areas can also have a major impact on the fire-fighting forces in the City and neighboring communities. Since 1986, all new homes in the City are required to be equipped with fire sprinkler systems and smoke detectors.

Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in City and in the ability or willingness of property owners to pay property taxes.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

Cyber Security

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage.

In May 2021, a public facing web server of the City that was responsible for building permit and inspection scheduling was compromised. The system contained vendor and database account credentials that were promptly changed. An investigation revealed that the credentials had not been used since the compromise and that changing the credentials prevented any further unauthorized access. All traces of the compromise were removed. Mitigation measures, including a web application firewall and Secure Sockets Layer decryption, were put into place to prevent future compromises and additional prevention measures have been implemented. No data was lost and no damage to any systems, financial or otherwise, occurred. There were no costs associated with remediation.

No assurance can be given that the City and the other entities the City relies on will not be affected by cyber threats and attacks in a manner that may affect the Series 2021A Bond owners.

Litigation

The City is and may become a party to litigation that has the potential to have an impact on the City's General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future and whether these may adversely affect the ability of the City to pay Base Rental Payments under the Lease Agreement when due.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Series 2021A Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series 2021A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Bonds is based upon certain representations of fact and certifications made by the City, the Authority and others and is subject to the condition that the City and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021A Bonds to assure that interest on the Series 2021A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021A Bonds. The City and the Authority have covenanted to comply with all such requirements.

The amount by which a Series 2021A Bond Owner's original basis for determining loss on sale or exchange in the Series 2021A Bonds (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series 2021A Bond Owner's basis in the Series 2021A Bond (and the amount of tax-exempt interest received with respect to the Series 2021A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2021A Bond Owner realizing a taxable gain when a Series 2021A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2021A Bond to the Owner. Purchasers of the Series 2021A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2021A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2021A Bonds might be affected as a result of such an audit of the Series 2021A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof)

subsequent to the issuance of the Series 2021A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2021A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2021A BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES 2021A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2021A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2021A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2021A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2021A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2021A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2021A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Series 2021A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the Series 2021A Bonds and the accrual or receipt of interest on the Series 2021A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2021A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2021A Bonds.

Should interest on the Series 2021A Bonds become includable in gross income for federal income tax purposes, the Series 2021A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

The form of Bond Counsel's proposed opinion with respect to the Series 2021A Bonds is set forth in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2021A Bonds and certain other legal matters are subject to the approving opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in

Appendix D. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2021A Bonds.

Certain legal matters will be passed upon for the City and the Authority by Best Best & Krieger LLP, Riverside, California, as City Attorney and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California (“**Underwriter’s Counsel**”), and for the Trustee by its counsel. The fees payable to Disclosure Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Series 2021A Bonds.

Furthermore, from time to time Bond Counsel and Disclosure Counsel serve as counsel to the Underwriter with respect to transactions other than the issuance of the Series 2021A Bonds.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease Agreement, the Ground Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City.

Neither the City nor the Authority is in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease Agreement, the Ground Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City’s obligations under the Lease Agreement.

RATING

S&P Global Ratings (“**S&P**”) has assigned a rating of “___” to the Series 2021A Bonds. A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic on the City, could have an adverse impact on the rating of the Series 2021A Bonds, and there is no assurance that any credit rating that is given to the Series 2021A Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Series 2021A Bonds will not change during the period that the Series 2021A Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Series 2021A Bonds may have an adverse effect on the market price of the Series 2021A Bonds. Such rating reflects only the current view of S&P (which could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by S&P.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Series 2021A Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Series 2021A Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Series 2021A Bonds are directed to S&P and its website and official media outlets for the most current ratings with respect to the Series 2021A Bonds after the initial issuance of the Series 2021A Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the Series 2021A Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**"), by not later than February 1 of each year and commencing February 1, 2022 with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through Electronic Municipal Access System ("**EMMA**"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The City, as well as the Authority, the Fontana Public Financing Authority, the Successor Agency to the Fontana Redevelopment Agency (the "Successor Agency") and various community facilities districts within the City (each, a "**CFD**"), all of which are entities with the City Council as the legislative body, have entered into numerous continuing disclosure undertakings.

Within the last five years, the City and the Financing Authority have timely filed all regular annual reports pursuant to such undertakings. However, the Successor Agency, as successor to the undertakings of the former Fontana Redevelopment Agency (the "**Former Agency**"), failed to file one annual report for one issue of the Former Agency's bonds and failed to link one annual report to the relevant CUSIPs for one issue of the Former Agency's bonds. Additionally, a CFD failed to file one annual report for one issue of bonds for which the official statement relating to such bonds contained all of the information required to be contained in such report. Further, the City and the Authority are aware that not all of the required information was included with respect to a number of annual report filings by the Fontana Public Financing Authority, the Successor Agency and several CFDs, including required tabular information. Additionally, the Financing Authority and two CFDs failed to timely file certain notices of ratings changes. The City has since made filings on behalf of its related entities to correct material omissions with respect to the filings that were required to have been made within the past five years, and has adopted written procedures to ensure future compliance with the City's disclosure undertakings and those of its related entities.

Except as disclosed in this Official Statement, within the last five years, the City, the Authority, the Successor Agency and the Financing Authority have not failed to timely comply with their respective prior continuing disclosure obligations under the Rule in all material respects.

UNDERWRITING

The Series 2021A Bonds are being purchased pursuant a bond purchase agreement by and among the Authority, the City, and the Underwriter. The Underwriter has agreed to purchase the Series 2021A Bonds at a purchase price of \$_____ (which is equal to the par amount of the Series 2021A Bonds, less an underwriter’s discount of \$_____).

The Underwriter may offer the Series 2021A Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

The Authority and the City have retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2021A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor’s compensation is contingent upon the delivery of the Series 2021A Bonds.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

**FONTANA PUBLIC FACILITIES
FINANCING AUTHORITY**

By: _____,
Interim Executive Director

CITY OF FONTANA

By: _____,
Interim City Manager

APPENDIX A

DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF FONTANA AND COUNTY OF SAN BERNARDINO

The following information concerning the County of San Bernardino (the “County”) and the City of Fontana (the “City”) is presented as general background data. The Series 2021A Bonds are payable solely from moneys of the City as described in the Official Statement. The taxing power of the City, the County, the State of California (the “State”) or any political subdivision thereof is not pledged to the payment of the Series 2021A Bonds.

The City also notes that the below information is the latest available but does not in any instance reflect the impact of the COVID-19 pandemic. See the Official Statement under the caption “THE CITY – Public Health Emergency – COVID-19.” Accordingly, the historical information below does not necessarily reflect present economic conditions and future information could be significantly different from the historical information below.

General

Founded in 1913, the City is the second largest city in the County and encompasses approximately 42.4 square miles of land. The City has experienced significant growth in population. The City is located 50 miles east of Los Angeles, and approximately 10 miles west of the cities of Riverside and San Bernardino.

The County is located in Southern California and was established by an act of the State Legislature on May 23, 1853, separating the County from the eastern part of the County of Los Angeles. The County encompasses an area of over 22,000 square miles, making it geographically the largest county in the nation, and includes twenty-four incorporated communities. The County is bordered on the west by the Counties of Los Angeles and Kern, on the north by the County of Inyo, and on the south by the County of Riverside.

City Government

The City was incorporated as a general law city in 1952 and is governed by a Mayor and four council members elected at large to serve four-year terms. The City operates under the Council - Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City.

The City provides police protection, street sweeping, park maintenance, building inspection, library, sewer, storm drain and sanitation services. The City contracts with the County for fire protection services. Numerous hospitals and health care facilities are located in or near the City.

Population

Fontana has been one of the most rapidly growing cities in Southern California. The adopted 1990 General Plan calls for a careful balance of residential, commercial and industrial development to ensure a quality urban environment with a broad range of employment and housing opportunities.

The population in Fontana increased approximately 6.69% from 2013 to 2021. The population growth in the City, County and State is shown on the following chart.

POPULATION ESTIMATES City of Fontana, County of San Bernardino and State of California 2013-2021

Year ⁽¹⁾	City of Fontana	County of San Bernardino	State of California
2013	200,522	2,084,443	38,269,864
2014	201,790	2,094,951	38,556,731
2015	203,790	2,112,187	38,865,532
2016	205,180	2,122,579	39,103,587
2017	208,003	2,139,520	39,352,398
2018	209,113	2,150,017	39,519,535
2019	211,123	2,165,876	39,605,361
2020	211,519	2,175,424	39,648,938
2021	213,944	2,175,909	39,466,855

⁽¹⁾ January 1 estimate.

Source: California State Department of Finance, Demographic Research Unit.

Transportation

The City of Fontana is strategically located in the hub of surface, rail and air transportation facilities. Union Pacific and Burlington Northern/Santa Fe rail lines provide rail service to Fontana. Switch yards and multi-modal terminals are located nearby.

Major interstate freeways and state highways provide direct access to the City, making shipping and transportation to and from sea ports, North American Free Trade Agreement ports of entry, and the rest of the nation highly dependable. Interstate 10 traverses the southern section of the City, Interstate 15 borders the western portion of the City, and Interstate 210, which is the extension of Route 30, opened in November 2002, links the San Bernardino Valley with the San Fernando Valley and traverses the northern portion of the City. State freeways 57, 60 and 91 are minutes from Fontana.

The LA/Ontario International Airport is a medium-hub, full-service airport, which offers more than 70 daily flights to cities in the U.S., Mexico and Taiwan and is served by nine commercial carriers. The airport is owned and operated by Ontario International Airport Authority, a joint powers agency, and is served by AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight services at Ontario International Airport.

With the completion of its twin terminals, it is able to handle approximately 10 million passengers annually. When passenger traffic reaches 10 million in two consecutive years, a third terminal will be constructed. LA/Ontario International Airport is the Western States Regional

Terminal for United Parcel Service. It is a member of the Los Angeles World Airports system and is ideally situated as an airfreight center for Pacific Rim and European cargo. Over 5.5 million passengers used the airport in 2019, 9.1 % more than the same period in 2018, and over 781,000 tons of air freight were shipped, an increase of 4.1% over the same period last year.

Transit services are provided by Metrolink commuter rail service to Los Angeles with connections to the numerous surrounding cities provided by Omnitrans bus service, Dial-a-Ride, Yellow Cab Company and Bell Cab Company.

Education

Five school district serve students in the City of Fontana. There are thirty public elementary schools, seven middle schools, five high schools, three alternative high schools, seven private elementary/middle schools, one School of Language Development and one adult school. Local colleges and universities include: Universal Technical Institute of California Inc., Chaffey College, San Bernardino Valley College, California State University-San Bernardino, Riverside Community College, Westech College and the University of California-Riverside.

Employment and Industry

The City is located in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”). The unemployment rate in the MSA was 7.9% in June 2021, up from a revised 7.2% in May 2021, and below the year-ago estimate of 13.3%. This compares with an unadjusted unemployment rate of 8.0% for California and 6.1% for the nation during the same period. The unemployment rate was 8.0% in the County.

The table below list employment by industry group for calendar years 2016 through 2020. Annual figures are not yet available for calendar year 2021.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA Annual Average Civilian Labor Force, Employment and Unemployment by Industry (March 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	1,981,900	2,014,300	2,045,200	2,070,700	2,073,900
Employment	1,863,600	1,910,800	1,957,200	1,986,100	1,872,600
Unemployment	118,300	103,500	88,000	84,600	201,300
Unemployment Rate	6.0%	5.1%	4.3%	4.1%	9.7%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	14,600	14,500	14,500	15,400	13,900
Mining, Logging and Construction	92,900	98,400	106,400	108,400	106,200
Manufacturing	97,500	98,000	99,800	100,600	94,300
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Retail Trade	178,300	180,900	181,200	180,700	168,800
Transportation, Warehousing and Utilities	106,400	119,900	132,100	146,600	170,500
Information	11,800	11,600	11,400	11,500	9,400
Finance and Insurance	27,100	26,300	25,300	24,800	24,500
Real Estate and Rental and Leasing	17,900	18,400	19,300	20,200	19,100
Professional and Business Services	145,100	147,300	152,000	158,700	154,000
Educational and Health Services	215,700	226,700	239,500	250,300	248,700
Leisure and Hospitality	160,200	166,300	170,600	175,900	139,200
Other Services	44,600	45,400	45,800	46,200	39,600
Federal Government	20,400	20,600	20,700	21,100	22,200
State Government	29,700	30,400	30,600	31,100	31,100
Local Government	192,200	200,100	205,900	209,000	195,900
Total, All Industries ⁽³⁾	1,416,000	1,467,300	1,520,500	1,567,500	1,501,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, listed from greatest to fewest number of employees, as shown in the City's Annual Comprehensive Financial Report for Fiscal Year ending June 30, 2020.

CITY OF FONTANA Principal Employers As June 30, 2020

Employer	Number of Employees	Percent of Total Employment
Kaiser Hospital & Med. Group	6,248	6.37%
Fontana Unified School District	5,898	6.01
Amazon.com Services LLC	3,008	3.07
City of Fontana (includes part time employees)	995	1.01
Estes West	352	0.36
Water of Life Community Church	300	0.31
Saia Motor Freight Line LLC	289	0.29
Schlosser Forge Company	287	0.29
Walmart Store #1756	286	0.29
Costco Wholesale #627	275	0.28
Crown Technical Systems	275	0.28
Total Employment Listed⁽¹⁾	18,213	18.57%

(1) "Total Employment" as used above represents the total employment of all employers located within the City limits. Source: City of Fontana, as shown in the Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2020.

The following table lists, in alphabetical order, the largest manufacturing and non-manufacturing employers within the County as of August 2021.

COUNTY OF SAN BERNARDINO
Major Employers
As of August 2021
(In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Amazon Fulfillment Ctr	Redlands	Mail Order Fulfillment Service
Amazon Fulfillment Ctr	San Bernardino	Mail Order Fulfillment Service
Arrowhead Regional Medical Ctr	Colton	Hospitals
Bear Mountain	Big Bear Lake	Skiing Centers & Resorts
Big Bear Mountain Resorts	Big Bear Lake	Resorts
Burlington Distribution Ctr	San Bernardino	Distribution Services
California State Univ Sn	San Bernardino	Schools-Universities & Colleges Academic
Community Hospital-Sn Brnrn	San Bernardino	Hospitals
Environmental Systems Research	Redlands	Geographics Information Systems
Fedex Ground	Bloomington	Delivery Service
Inland Empire Health Plan	Rancho Cucamonga	Health Plans
Loma Linda Univ Health Board	Loma Linda	Univ/Clg-Governing Body/Regent/Trustee
Loma Linda University Med Ctr	Loma Linda	Hospitals
Mountain High Ski Resort	Wrightwood	Skiing Centers & Resorts
Ontario International Airport	Ontario	Airports
Ontario-Montclair School Dist	Ontario	School Districts
Patton State Hospital	Patton	Hospitals
Redlands Community Hospital	Redlands	Hospitals
San Antonio Regional Hospital	Upland	Hospitals
San Bernardino County Sch Supt	San Bernardino	Schools & Educational Services NEC
San Bernardino County Sheriff	San Bernardino	County Government-General Offices
St Bernardine Medical Ctr	San Bernardino	Hospitals
St Mary's Medical Ctr	Apple Valley	Hospitals
Transportation Department	San Bernardino	State Government-Transportation Programs
YRC Freight	Bloomington	Trucking-Motor Freight

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2021 1st Edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2017 through 2021:

**CITY OF FONTANA, COUNTY OF SAN BERNARDINO
STATE OF CALIFORNIA AND THE UNITED STATES
Effective Buying Income
2017 through 2021**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of Fontana	\$3,554,839	\$59,974
	County of San Bernardino	40,600,305	50,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	City of Fontana	\$3,554,839	\$59,974
	County of San Bernardino	40,600,305	50,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Fontana	\$3,757,992	\$62,184
	County of San Bernardino	42,984,313	52,631
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Fontana	\$4,061,271	\$65,368
	County of San Bernardino	46,025,841	56,502
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Fontana	\$4,372,087	\$68,404
	County of San Bernardino	48,859,973	59,285
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2020 in the City were reported to be \$3,615,020,725, a 2.27% decrease from the total taxable sales of \$3,698,999,720 reported during calendar year 2019.

**CITY OF FONTANA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	3,964	\$2,335,650	5,455	\$3,134,792
2017	3,955	2,469,130	5,495	3,341,901
2018	3,944	2,650,007	5,597	3,596,722
2019	4,101	2,688,721	5,870	3,698,100
2020	4,467	2,752,323	6,543	3,615,021

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in the County were reported to be \$42,884,766,804, a 2.67% increase from the total taxable sales of \$41,770,308,843 reported during calendar year 2019.

**COUNTY OF SAN BERNARDINO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	38,366	\$24,242,145	57,542	\$36,981,694
2017	39,067	25,341,773	58,956	38,137,915
2018	39,837	26,905,784	61,838	40,554,024
2019	40,964	27,564,216	64,771	41,770,309
2020	44,330	28,518,285	71,145	42,884,767

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF FONTANA Building Permit Valuation (Valuation in Thousands of Dollars)

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$121,073.7	\$146,025.8	\$14,147.5	\$203,499.7	\$261,847.9
New Multi-family	3,963.3	6,018.8	0.0	24,065.8	44,974.6
Res. Alterations/Additions	<u>4,705.4</u>	<u>5,383.8</u>	<u>1,412.9</u>	<u>13,917.2</u>	<u>4,724.1</u>
Total Residential	129,742.4	157,428.4	15,560.4	241,482.7	311,546.6
New Commercial	6,880.8	3,505.1	17,436.8	5,729.1	10,578.2
New Industrial	174,571.8	84,005.2	141,486.8	120,984.3	116,420.5
New Other	7,815.1	3,802.4	5,115.6	3,885.5	1,510.0
Com. Alterations/Additions	<u>39,096.5</u>	<u>40,257.5</u>	<u>33,340.7</u>	<u>14,784.7</u>	<u>21,252.6</u>
Total Nonresidential	228,364.2	131,570.2	197,379.9	145,383.6	149,761.3
<u>New Dwelling Units</u>					
Single Family	439	600	70	642	848
Multiple Family	<u>33</u>	<u>69</u>	<u>0</u>	<u>210</u>	<u>234</u>
TOTAL	472	669	70	852	1,082

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SAN BERNARDINO Building Permit Valuation (Valuation in Thousands of Dollars)

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$706,601.8	\$1,009,450.8	\$1,114,777.8	\$1,078,797.7	\$934,304.4
New Multi-family	119,497.6	287,760.5	268,564.9	232,079.3	143,366.2
Res. Alterations/Additions	<u>62,042.4</u>	<u>77,811.9</u>	<u>71,937.8</u>	<u>139,761.1</u>	<u>61,788.5</u>
Total Residential	888,141.8	1,375,023.2	1,455,280.6	1,450,638.1	1,139,459.1
New Commercial	189,230.5	324,540.4	230,518.8	449,998.5	274,080.5
New Industrial	426,747.9	543,462.7	387,108.6	476,322.3	330,960.1
New Other	96,402.8	86,981.8	74,356.9	85,651.8	123,121.9
Com. Alterations/Additions	<u>308,269.9</u>	<u>330,612.1</u>	<u>388,145.5</u>	<u>365,127.0</u>	<u>336,533.1</u>
Total Nonresidential	1,020,651.1	1,285,597.0	1,080,129.8	1,377,099.6	1,064,695.6
<u>New Dwelling Units</u>					
Single Family	2,896	4,253	3,311	4,096	3,631
Multiple Family	<u>976</u>	<u>2,578</u>	<u>1,775</u>	<u>1,884</u>	<u>910</u>
TOTAL	3,872	6,831	5,086	5,980	4,541

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

APPENDIX D
PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Fontana (the “City”) in connection with the issuance by the Fontana Public Facilities Financing Authority (the “Authority”) of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture dated as of November 1, 2021 (the “Indenture”), by and among the Authority, the City and U.S. Bank National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means February 1 after the end of the City’s fiscal year.

“*Dissemination Agent*” means, initially, U.S. Bank National Association, and any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated _____, 2021, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing February 1, 2022, with the report for fiscal year 2020-21, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written general fund with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement, as follows:

(i) information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, including information showing tax revenue collections by source;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year, showing the valuation for secured, public utility and unsecured property;

(iv) information regarding the ten largest property taxpayers in the City for the Fiscal Year;

(v) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year; and

(vi) information showing the balance sheet of the General Fund of the City as of the close of the most recent completed Fiscal Year, including categorized assets, liabilities and reserved and unreserved fund balances.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public through the MSRB. The City shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from the MSRB.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If

such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5©.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be the City. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any

claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2021

CITY OF FONTANA

By: _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Series 2021A Bonds, payment of principal, interest and other payments on the Series 2021A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2021A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the Fontana Public Facilities Financing Authority (the “Issuer”) nor U.S. Bank National Association (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2021A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2021A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2021A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

BOND PURCHASE AGREEMENT

_____, 2021

Fontana Public Facilities Financing Authority
8353 Sierra Avenue
Fontana, CA 92335
Attention: Executive Director

City of Fontana
8353 Sierra Avenue
Fontana, CA 92335
Attention: City Manager

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), hereby offers to enter into this Bond Purchase Agreement with you, the City of Fontana (the “**City**”) and the Fontana Public Facilities Financing Authority (the “**Authority**”), for the purchase by the Underwriter and the delivery by you of the Authority’s Lease Revenue Bonds, Series 2021A (the “**Bonds**”). The Bonds are being issued to (i) refinance all of the outstanding Fontana Public Financing Authority 2010 Lease Revenue Bonds (Taxable Recovery Zone Economic Development Bonds), (ii) finance the acquisition, construction, and installation of certain public capital improvements in the City, and (iii) pay the costs of issuing the Bonds. This offer is made subject to acceptance by you prior to 11:59 p.m., Los Angeles time, on the date hereof. Upon such acceptance, this Bond Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter agrees to purchase from the Authority all (but not less than all) of the \$_____ aggregate principal amount of the Bonds.

The purchase price for the Bonds shall be \$_____ (being the principal amount of the Bonds, plus original issue premium in the amount of \$_____ and less an Underwriter’s discount in the amount of \$_____).

The Bonds will be dated the date of delivery thereof and will have the maturities and bear interest at the rates set forth on Exhibit A hereto. The Bonds will be subject to redemption as set forth in the Indenture and Official Statement herein described. The Bonds will be issued in book-entry form only. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Bond Purchase Agreement.

2. Authorizing Instruments and Law. The Bonds shall be issued pursuant to the provisions of a resolution (the “**Resolution**”) adopted by the Authority on September 28, 2021 authorizing the issuance of the Bonds and the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584, *et seq.* of the California Government Code (the “**JPA Act**”). The Bonds are issued pursuant to an Indenture, dated as of November 1, 2021 (the “**Indenture**”), among the Authority, the City and U.S. Bank National Association, as trustee (the “**Trustee**”), and shall be as described in the Indenture.

The Bonds are limited obligations of the Authority payable primarily from and secured by certain base rental payments (the “**Base Rental Payments**”) to be paid by the City pursuant to a Lease Agreement, dated as of November 1, 2021, between the City and the Authority (the “**Lease**”), for certain real property and the improvements thereon (the “**Leased Property**”).

3. Offering the Bonds. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover pages of the Official Statement of the Authority pertaining to the Bonds, dated _____, 2021 (the Official Statement, together with all appendices thereto, and with such changes therein and supplements thereto, are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as they deem necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “Public Offering” shall include an offering to a number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

The City and the Authority acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction between the City, the Authority and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the City and the Authority, (ii) in connection with such transaction the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the City and the Authority or any other person or entity and have not assumed a fiduciary responsibility in favor of the City or the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City or the Authority on other matters), (iii) the only contractual obligations the Underwriter has to the City and the Authority with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”) and (iv) the City and the Authority have consulted with their own legal and other professional advisors to the extent they deemed appropriate in connection with the offering of the Bonds. The City and the Authority acknowledge that they have previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the MSRB relating to disclosures concerning the Underwriter’s role in the transaction, disclosures concerning the Underwriter’s compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

4. Delivery of Official Statement. If requested by the Underwriter, the Authority shall deliver to the Underwriter two (2) copies of the Official Statement manually executed on behalf of the Authority and the City. The Authority shall also deliver copies of the Official Statement in such quantities as the Underwriter may reasonably request in order to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available

and ending on the End Date (defined below). The Authority shall deliver these copies to the Underwriter within seven (7) business days after the execution of this Bond Purchase Agreement and in sufficient time to accompany or precede any sales confirmation that requests payment from any customer of the Underwriter. The Authority and the Underwriter hereby agree that the end of the underwriting period shall be the date of Closing (as defined below) unless the Underwriter informs the Authority in writing of a different end of the underwriting period.

“End Date” as used herein is that date which is the earlier of:

(a) twenty-five (25) days after the end of the underwriting period, as defined in SEC Rule 15c2-12 originally adopted by the Securities and Exchange Commission on June 28, 1989, as amended (“**Rule 15c2-12**”); or

(b) the time when the Official Statement becomes available from the MSRB, but in no event less than twenty-five (25) days after the underwriting period (as defined in Rule 15c2-12) ends.

The Underwriter acknowledges that the “End Date” will be the date of Closing unless the Underwriter otherwise notifies the Authority and the City in writing that the Underwriter still owns some or all of the Bonds.

The Authority and the City have authorized the use of the Official Statement in connection with the public offering of the Bonds. The Authority and the City also have consented to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated _____, 2021, relating to the Bonds in connection with the public offering of the Bonds, (which, together with all appendices thereto, is herein called the “**Preliminary Official Statement**”). Authorized officers of the City and the Authority have certified to the Underwriter that such Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12, with the exception of certain final pricing and related information referred to in Rule 15c2-12. The Underwriter has distributed a copy of each Preliminary Official Statement to potential customers on request.

5. The Closing. At 9:00 A.M., California time, on November ___, 2021, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority, the City and the Underwriter, the Authority, upon receipt of the purchase price thereof, will deliver (i) the Bonds in book-entry form through the facilities of The Depository Trust Company (“**DTC**”), and (ii) the closing documents hereinafter mentioned at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“**Bond Counsel**”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery from the Authority. The Underwriter will pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer of immediately available funds. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “**Closing**.”

6. City Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a general law city organized and operating pursuant to the laws of the State of California (the “**State**”) with power and authority to enter into and perform its duties under the Lease, the Continuing Disclosure Certificate, dated the date of Closing (the “**Continuing Disclosure Certificate**”), the Ground Lease, dated as of November 1, 2021 (the “**Ground Lease**”),

between the City and the Authority, the Indenture, the Official Statement, the Escrow Agreement (2010 Bonds) (the “**Escrow Agreement**”) among the City, the Authority and U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”) and this Bond Purchase Agreement (collectively, the “**City Documents**”).

(b) To the best knowledge of the City, neither the approval, execution and delivery of the City Documents, and compliance with the provisions on the City’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, materially conflicts with or constitutes a material breach of or default under nor materially contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the City Documents.

(c) The City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors’ rights generally, and by the application of equitable principles if sought, by the exercise of judicial discretion, and by the limitations on legal remedies imposed on actions against cities in the State.

(d) Except as may be required under blue sky or other securities laws of any state, there is no material consent, approval, authorization or other order of, or filing with, or certification by, any regulatory agency having jurisdiction over the City required for the execution and delivery of the Bonds or the consummation by the City of the other transactions contemplated by the Official Statement and this Bond Purchase Agreement.

(e) To the best of the knowledge of the City, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending (notice of which has been received by the City) or threatened against the City to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Lease, or in any way contesting or affecting the validity of the City Documents or the Bonds or the authority of the City to approve this Bond Purchase Agreement, or enter into the City Documents or contesting the powers of the City to enter into or perform its obligations under any of the foregoing or in any way contesting the powers of the City in connection with any action contemplated by this Bond Purchase Agreement or to restrain or enjoin the execution, sale and delivery of the Bonds, contesting the completeness or accuracy of the Preliminary Official Statement as of its date or the Official Statement or any supplement or amendment thereto wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the City Documents to be executed by it or asserting that the Preliminary Official Statement as of its date or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of all the circumstances under which they were made, not misleading, or, except as described in the Preliminary Official Statement and the Official Statement, nor is there any basis for any such action, suit, proceeding or investigation.

(f) The Preliminary Official Statement provided to the Underwriter has been deemed final by the City, as required by Rule 15c2-12. As of the date thereof and at all times subsequent thereto up to and including the Closing, the information relating to the City, the Bonds, the Leased Property and the City Documents contained in the Official Statement was and will be materially complete for its intended purposes. The information relating to the City, the Bonds, the Leased Property and the City Documents contained in the Official Statement as of the date hereof is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(g) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the City will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified. The Underwriter shall be responsible for all costs relating to such qualification of the Bonds under blue sky or similar laws.

(h) By official action of the City prior to or concurrently with the execution hereof, the City has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Bond Purchase Agreement.

(i) To the best knowledge of the City, it is not in any material respect in breach of or default under any material applicable law or administrative regulation of the State or the United States or any material applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject and in connection with which the City is obligated to make payments from its own funds, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument the consequence of which could materially and adversely affect the performance of the City under the City Documents.

(j) If between the date of this Bond Purchase Agreement and the End Date an event occurs, of which the City has knowledge, which might or would cause the information relating to the City, the City's finances, the Leased Property, or the City's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect, the City will notify the Underwriter, and if, in the opinion of the Underwriter, the City or their respective legal counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement and all expenses thereof will be paid for by the City.

(k) If the information relating to the Leased Property, the City, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent

thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect.

(l) Any certificate signed by a duly authorized official of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(m) As of the time of acceptance hereof and as of the Closing, the City does not and will not have outstanding any indebtedness which is payable from the City's general fund except as disclosed in the Official Statement.

(n) Between the date of this Bond Purchase Agreement and the date of Closing, the City will not, except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money in a material amount, or, other than in the normal course of its operations, incur any material liabilities, direct or contingent, secured by or payable from the City's general fund.

(o) The City will undertake, pursuant to the Continuing Disclosure Certificate, to provide or cause to be provided annual financial reports and notices of certain events; a description of this undertaking is set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and Official Statement, the City and its related entities have not failed to comply in any material respect with a continuing disclosure undertaking under Rule 15c2-12 during the previous five years.

(p) The City is the owner in fee of title of the Leased Property and no other governmental authority, person, firm or corporation can claim ownership to the Leased Property.

(q) As of the time of acceptance hereof and as of the Closing, the fair rental value of the Leased Property is not less than the annual scheduled Base Rental Payments due under the Lease.

(r) The financial statements of, and other financial information regarding the City in the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles applicable to cities.

7. Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the City and the Underwriter that:

(a) The Authority is a joint powers authority, duly organized and existing under the Constitution (the "**Constitution**") and laws of the State, including the JPA Act, with full right, power and authority to enter into, execute and deliver the Authority Documents (defined below) and to perform its obligations hereunder.

(b) By all necessary official action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Bond Purchase Agreement, the Bonds, the Indenture, the Lease, the Ground Lease,

the Escrow Agreement and the Assignment Agreement, dated as of November 1, 2021 (the “**Assignment Agreement**”), between the Authority and the Trustee (collectively, the “**Authority Documents**”), and has approved the use by the Underwriter of the Preliminary Official Statement, and the Official Statement and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties hereto, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors rights generally, to the exercise of judicial discretion and to the limitations on legal remedies against joint powers authorities in California. The Authority has complied and will at the Closing, be in compliance in all material respects, with the terms of the Authority Documents.

(c) The Bonds, when issued in accordance with the Indenture, will be valid and binding limited obligations of the Authority, entitled to the benefits of the Indenture and enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally, to the exercise of judicial discretion and to the limitations on legal remedies against joint powers authorities in California.

(d) As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, to the best knowledge of the Authority, the Authority is not and will not be in any material respect in breach of or in default under any law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have an adverse effect on the Authority’s ability to perform its obligations under the Authority Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and compliance by the Authority with the provisions thereof do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties under the terms of any such law, regulation or instrument except as provided in the Authority Documents.

(e) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (notice of which has been received by the Authority), or to the best knowledge of the Authority threatened against the Authority in any material respect:

(i) affecting the existence of the Authority or the titles of the officers of the Authority to their respective offices;

(ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Authority Documents or the consummation of the transactions on the part of the Authority contemplated thereby, or contesting the exclusion of the interest on the Bonds from Federal or State taxation, as applicable, or contesting the powers of the Authority or its authority to enter into the Lease and to pledge the Base Rental Payments for repayment of the Bonds;

(iii) which may result in any material adverse change relating to the financial condition of the Authority;

(iv) contesting the completeness or accuracy of the Preliminary Official Statement as of its date or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement as of its date or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of all the circumstances under which they were made, not misleading; or

(v) challenging the ability of the Authority to sell the Bonds to the Underwriter.

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the blue sky laws or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; *provided however*, that in no event shall the Authority be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject.

(g) Any certificate signed by a duly authorized officer of the Authority and delivered to the Underwriter shall be deemed to be a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) As of the time of acceptance hereof and as of the date of Closing, except as otherwise disclosed in the Official Statement, the Authority has complied with the filing requirements of the JPA Act.

(i) The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement from the delivery of the Official Statement to the End Date. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(j) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds paid for from such proceeds) will be used as set forth in the Indenture and as described in the Official Statement, and the Authority will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to

be applied in a manner contrary to that provided in the Indenture and the Lease, as amended from time to time.

(k) For a period beginning on the date hereof and continuing until the End Date, (a) the Authority will not adopt any amendment of, or supplement to, the Official Statement without prior consultation with the Underwriter and Kutak Rock LLP, counsel to the Underwriter (“**Underwriter’s Counsel**”) and (b) if any event relating to or affecting the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter, the City, or their respective legal counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Bonds, the Authority will cooperate with the Underwriter in the preparation of an amendment of, or supplement to, the Official Statement which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser of the Bonds, not misleading.

8. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

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

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Bond Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the

hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (A) the close of the fifth (5th) business day after the sale date; or
- (B) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

(d) The Underwriter confirms that:

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

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

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

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

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

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

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

a. “public” means any person other than an underwriter or a related party;

b. “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

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

d. “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Authority and the City of their respective obligations hereunder, both as of the date hereof and as of

the date of the Closing. The Underwriter's obligations hereunder are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Authority and the City contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing:

(i) the City Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the prior written consent of the Underwriter;

(ii) there shall be in full force and effect such resolutions (the "**Authorizing Resolutions**") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions on the part of the Authority and the City contemplated by the City Documents and the Authority Documents;

(iii) the Authority shall perform or have performed its obligations required or specified in the Authority Documents to be performed at or prior to Closing;

(iv) the City shall perform or have performed its obligations required as specified in the City Documents to be performed at or prior to Closing; and

(v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraph 6(j) or 7(i), or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing under the Authority Documents or the City Documents and neither the Authority nor the City shall be in default in the payment of principal or interest on any of its bonded indebtedness or other obligations payable from the City's general fund which default shall adversely impact the ability of the Authority to make payments on the Bonds or the City to make payments pursuant to the Lease.

(d) Termination Events. The Underwriter shall have the right to terminate this Bond Purchase Agreement, without liability therefor, by written notification to the Authority and the City if at any time at or prior to the Closing the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall have been materially adversely affected in the reasonable judgment of the Underwriter (evidenced by a written notice to the City and the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(i) an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Authority Documents or the City Documents in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the

Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or State authority materially adversely affecting the Federal or State tax status of the Authority or the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(ii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the States or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iii) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(iv) the New York Stock Exchange or other national securities exchange, or any governmental or regulatory authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of the Underwriter; or

(v) a general banking moratorium shall have been established by federal or State authorities; or

(vi) there shall have occurred (i) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (ii) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(vii) the commencement of any action, suit or proceeding described in Paragraphs 6(e) or 7(e) hereof; or

(viii) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in

force on any such exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or

(ix) any event occurring or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(x) any rating of the Bonds or other obligations of the City shall have been downgraded, suspended or withdrawn or placed on negative outlook or negative watch by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(xi) any proceeding shall be pending or threatened by the Securities and Exchange Commission against the Authority or the City; or

(xii) any fact or event shall exist or have existed that requires or has required an amendment of or supplement to the Official Statement in which the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall have been materially adversely affected in the reasonable judgment of the Underwriter; or

(xiii) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xiv) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(xv) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Bond Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act.

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) Bond Opinion. The approving opinions of Bond Counsel dated the date of Closing and substantially in the forms included as APPENDIX E to the Official Statement and a reliance letter(s) thereon dated the date of Closing addressed to the Underwriter and the Trustee.

(2) Supplemental Opinion. A supplemental opinion of Bond Counsel dated the date of Closing, addressed to the Underwriter, in substantially the form attached hereto as Exhibit C.

(3) Negative Assurance Letter of Disclosure Counsel. A letter of Jones Hall, A Professional Law Corporation, Disclosure Counsel to the Authority and the City, dated the date of Closing and addressed to the Authority, the City, and the Underwriter to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the Authority and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement (except for the completion of pricing information and any other matters or terms of the Bonds relating thereto) as of its date or as of the date of this Purchase Agreement or the Official Statement as of its date or as of the date of the Closing (except that no opinion need be expressed as to any financial, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, maps, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, assessed values, market absorption, real estate, ownership, environmental or archaeological matters, Appendices A, B, C, D, or F thereto, or any information about book-entry, The Depository Trust Company, debt service requirements or tax exemption included or referred to therein, which may be expressly excluded from the scope of the opinions), contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) Municipal Advisor Certificate. A certificate of CSG Advisors Incorporated (“**CSG Advisors**”), dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) CSG Advisors has reviewed the Preliminary Official Statement and the Official Statement and (ii) no information has come to its attention which would lead it to believe that the information contained in the Preliminary Official Statement, as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and the Closing Date, is not true or correct in all material respects, or that the Preliminary Official Statement, as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and the Closing Date contains any untrue statement of a material fact or omits to state a material fact where necessary to make a statement not misleading.

(5) Opinion of City Attorney. An opinion of the City Attorney, dated the date of the Closing and addressed to the Authority, the Trustee and the Underwriter, to the effect that:

(A) the City is a general law city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the resolution of the City approving and authorizing the execution and delivery of the City Documents and approving and authorizing the issuance of the Bonds and the delivery of the Official Statement and other actions of the City was duly adopted at a meeting of the governing body of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolution is now in full force and effect and has not been amended or superseded in any way;

(C) the City Documents have been duly authorized, executed and delivered by the City, and (assuming due execution and delivery by parties other than the City) are valid, legal and binding agreements of the City enforceable in accordance with their terms, except that

the rights and obligations under the City Documents are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State;

(D) the authorization, execution and delivery of the Bonds, the Official Statement, and the City Documents by the City and compliance with the provisions thereof by the City of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the City is subject or by which it is bound; and

(E) to such counsel's knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the City has been served or, to such counsel's knowledge, threatened against or affecting the City, except as may be disclosed in the Official Statement, which would materially adversely impact the City's ability to complete the transactions contemplated by the City Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Base Rental Payments with respect to the Lease, or in any way contesting or affecting the validity of the Bonds, the Official Statement or the City Documents.

(6) Authority Counsel Opinion. An opinion of counsel to the Authority, dated the date of the Closing and addressed to the City, the Trustee and the Underwriter, to the effect that:

(A) the Authority is a joint exercise of powers authority organized and existing under the laws of the State of California;

(B) the resolution of the Authority approving and authorizing the execution and delivery of the Authority Documents, the Bonds and the Official Statement and other actions of the Authority was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolution is now in full force and effect and has not been amended or superseded in any way;

(C) the Authority Documents have been duly authorized, executed and delivered by the Authority, and (assuming due execution and delivery by parties other than the Authority) are valid, legal and binding agreements of the Authority enforceable in accordance with their terms, except that the rights and obligations under the Authority Documents are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State;

(D) to such counsel's knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the Authority has been served or, to the such counsel's knowledge, threatened against or affecting the Authority, except as may be disclosed in the Official Statement, which would materially adversely impact the Authority's ability to complete the transactions contemplated by the Authority Documents, the Official Statement or any other document or certificate related to such

transactions, restrain or enjoin the collection of Base Rental Payments with respect to the Lease, or in any way contesting or affecting the validity of the Bonds, the Official Statement, the Authority Documents or the transactions described in and contemplated thereby wherein an unfavorable decision, ruling or finding would materially adversely affect the validity and enforceability of the Bonds or the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority; and

(E) the execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents.

(7) Underwriter's Counsel Opinion. An opinion of Underwriter's Counsel, dated the date of the Closing addressed to the Underwriter, in such form as may be acceptable to the Underwriter.

(8) City Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter to the effect that: (a) the representations, warranties and covenants of the City contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (b) the City has complied with all agreements, covenants and conditions to be complied with by the City at or prior to the Closing under the City Documents; (c) to the best of such official's knowledge, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(9) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Chair or other duly authorized officer of the Authority to the effect that (a) the representations, warranties and covenants of the Authority contained herein and in the Authority Documents are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (b) the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents and (c) to the best of such official's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) Trustee and Escrow Agent's Certificate. A certificate of U.S. Bank National Association (the "**Bank**"), dated the Closing Date, in form and substance acceptable to the Authority, Bond Counsel, the Underwriter and Underwriter's Counsel.

(11) Bank Incumbency Certificate. A certified copy of a certificate of an officer of the Bank certifying as to the incumbency, signature and signing authority of the officers who

have executed and delivered the Indenture and Escrow Agreement and agreed to accept the duties of Trustee under the Indenture and Escrow Agent under the Escrow Agreement.

(12) Bank Counsel's Opinion. An opinion, dated the date of the Closing addressed to the Authority, the City and the Underwriter, of the Bank's Counsel, in form and content satisfactory to the Authority, Bond Counsel, the Underwriter and Underwriter's Counsel.

(13) Title Policy. A copy of a CLTA or ALTA title insurance policy in an amount equal to the principal amount of the Bonds, insuring the City's leasehold interest in the Leased Property, subject only to Permitted Encumbrances (as defined in the Lease) or such other acceptable encumbrances.

(14) Transcripts. An electronic transcript of the proceedings prepared by Bond Counsel relating to the authorization and issuance of the Bonds will be made available for download by the Underwriter in due course following the Closing.

(15) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority by a duly authorized officer of each.

(16) Documents. An original executed or certified copy of each of the Authority Documents, the City Documents and the Joint Exercise of Powers Agreement (the "**JPA Agreement**"), dated as of September 1, 2014, between the City and the Fontana Fire Protection District and any amendments thereto.

(17) City Resolution. Certified copy by the City Clerk, of each resolution of the City relating to the City Documents, the actions contemplated thereby, provided that such resolutions may be contained in the transcripts.

(18) Authority Resolution. Certified copy by the Secretary or Assistant Secretary of the Authority, of each resolution of the Authority relating to the Authority Documents, the Bonds and the transactions contemplated thereby, provided that such resolutions may be contained in the transcripts.

(19) IRS Form 8038-G. Evidence that the federal tax information form 8038 G has been prepared for filing.

(20) Tax Certificate. A Tax Certificate in a form satisfactory to Bond Counsel.

(21) Rating. Evidence as of the Closing satisfactory to the Underwriter that the Bonds have received the rating set forth in the Official Statement and that such rating has not been reduced or withdrawn.

(22) CDIAC Statement. A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to section 53583 of the Government Code and section 8855(g) of the Government Code.

(23) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter and Bond Counsel may reasonably deem necessary.

If the Authority or the City shall be unable to satisfy the conditions contained in this Bond Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be terminated by the Underwriter, and none of the Underwriter, the Authority or the City shall be under further obligation hereunder.

10. Expenses. Except as otherwise provided in this Section, the Underwriter shall be under no obligation to pay, and the Authority or the City shall pay or cause to be paid, the expenses incident to the performance of the obligations of the Authority and the City hereunder including but not limited to:

(a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the City Documents and the Authority Documents and the cost of preparing, printing, issuing and delivering the Bonds;

(b) the fees and disbursements of any counsel, municipal advisors, accountants, or other experts or consultants retained by the Authority or the City;

(c) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(d) the cost of preparation and printing the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including a reasonable number of copies thereof for distribution by the Underwriter; and

(e) charges of rating agencies for the rating of the Bonds.

The Underwriter shall pay all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's Counsel; and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including other expenses, fees of the California Debt and Investment Advisory Commission, CUSIP Service Bureau fees, and any other fees and expenses), except as otherwise provided in the preceding paragraph or otherwise agreed to by the Underwriter, the Authority and the City in writing. Any meals in connection with or adjacent to meetings, rating agency presentations, pricing activities or other transaction-related activities shall be considered an expense of the transaction and included in the expense component of the Underwriter's discount.

11. Notice. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, Suite 3700, San Francisco, California 94104, Attention: Public Finance Department. Any notice or other communication to be given to the Authority or the City pursuant to this Bond Purchase Agreement may be given by delivering the same in writing to such entity, at the addresses set forth on the cover page hereof.

12. Entire Agreement. This Bond Purchase Agreement, when accepted by the Authority and the City, shall constitute the entire agreement among the Authority, the City and the Underwriter and is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of any Underwriter). Except as provided in Section 16 below, no other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the

Authority's and the City's representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement.

13. Definitions. Terms not otherwise defined herein shall have the same meaning as when used in the Indenture or the Lease.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State of California Law Governs. The validity, interpretation and performance of the City Documents and the Authority Documents shall be governed by the laws of the State.

16. No Assignment. The rights and obligations created by this Bond Purchase Agreement shall not be subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

17. Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____
Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

**FONTANA PUBLIC FACILITIES FINANCING
AUTHORITY**

By: _____
Title: _____

Time of Execution: _____ p.m. California time

CITY OF FONTANA

By: _____
Title: _____

Time of Execution: _____ p.m. California time

[EXECUTION PAGE OF BOND PURCHASE AGREEMENT]

EXHIBIT A

MATURITY SCHEDULE

\$ _____

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

MATURITY SCHEDULE

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule (<i>marked if used</i>)</u>
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							

* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.

EXHIBIT B

\$ _____
**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (“Stifel”) hereby certify as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

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

2. ***Defined Terms.***

(a) *Issuer* means the Fontana Public Facilities Financing Authority.

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

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

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Stradling Yocca Carlson & Rauth, a Professional Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____

Name: _____

By: _____

Name: _____

Dated: _____, 2021

Signature Page to Issue Price Certificate
Fontana Public Facilities Financing Authority
Lease Revenue Bonds, Series 2021A

SCHEDULE A

SALE PRICES

(to be attached)

EXHIBIT C

**FONTANA PUBLIC FACILITIES FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2021A**

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

Upon the initial issuance of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to deliver a supplemental opinion to the Underwriter in substantially the form set forth below:

[CLOSING DATE]

Stifel, Nicolaus & Company, Incorporated
Los Angeles, California

*Re: \$_____ Fontana Public Facilities Financing Authority Lease Revenue
 Bonds Series 2021A*

Ladies and Gentlemen:

On the date hereof, as Bond Counsel to the City of Fontana (the “City”) and the Fontana Public Facilities Financing Authority (the “Authority”), we have rendered to the City and the Authority our final legal opinion (the “Approving Opinion”) concerning the validity of \$_____ aggregate principal amount of Fontana Public Facilities Financing Authority Lease Revenue Bonds Series 2021A (the “Bonds”). You may rely upon our Approving Opinion as if it were addressed to you. Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Bond Purchase Agreement dated October __, 2021 (the “Purchase Agreement”), among the Authority, the City and Stifel, Nicolaus & Company, Incorporated (the “Underwriter”).

We have assumed, but not independently verified, that the signatures on all documents, letters, certificates and instructions which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Bonds, the Indenture, the Ground Lease, the Lease Agreement or the Purchase Agreement, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Ground Lease, the Lease Agreement or the Indenture, or the accuracy or sufficiency of the description of any such property contained therein.

Based upon the foregoing and such other information and documents as we consider necessary to render this opinion, we are of the opinion that:

(1) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the City and is a valid and binding agreement of the Authority and the City.

(2) The statements on the cover of the Official Statement and in the Official Statement under the captions “INTRODUCTION,” “THE SERIES 2021A BONDS,” “THE PROPERTY,”

“SECURITY FOR THE SERIES 2021A BONDS,” and “TAX MATTERS,” and in “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” and “APPENDIX D – PROPOSED FORM OF OPINION OF BOND COUNSEL,” insofar as such statements expressly summarize certain provisions of the Indenture, the Lease Agreement, the Ground Lease and the final opinion of Bond Counsel concerning certain tax matters relating to the Bonds, are accurate in all material respects.

(3) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. This opinion is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein regarding any tax consequences with respect to the Bonds. No opinion is expressed herein with respect to the compliance with, or applicability of, any “blue sky” laws of any state as they relate to the offer or sale of the Bonds.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or occur (or do not occur).

This opinion is furnished by us to you and is solely for your benefit, and may not be used, circulated, quoted or otherwise referred to or relied upon by others without our prior written consent. This letter is not intended to be, and may not be, relied upon by the owners of the Bonds or any beneficial ownership interest therein. You have acknowledged that no attorney-client relationship exists between us and you with respect to any matters related to the Bonds.

Our engagement with respect to the Bonds has concluded with their delivery, and we disclaim any obligation to update this opinion or other matters discussed in the Official Statement.

Respectfully submitted,