RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

Nixon Peabody LLP 300 South Grand Avenue, Suite 4100 Los Angeles, California 90071 Attention: Danny Kim, Esq.

(Space above for Recorder's use)

This document is recorded for the benefit of the City of Montclair and the recording is fee-exempt under Section 6103 of the California Government Code and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

SITE LEASE

by and between the

CITY OF MONTCLAIR, as Lessor

and the

MONTCLAIR PUBLIC FINANCING AUTHORITY, as Lessee

relating to the

§_____ Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A

DATED AS OF _____ 1, 2021

SITE LEASE

This Site Lease (this "Site Lease"), dated as of ______ 1, 2021, by and between the CITY OF MONTCLAIR, a general law city of the State of California (the "City"), as lessor, and the MONTCLAIR PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), as lessee;

WITNESSETH:

WHEREAS, concurrently with the execution of this Site Lease, the Authority and the City are entering into a Lease Agreement (the "Lease Agreement"), dated as of ______ 1, 2021 (which is recorded concurrently herewith), whereby the Authority will lease certain real property to the City, more particularly described in Exhibit A attached hereto (the "Real Property," and such Real Property, together with the improvements thereon, being collectively referred to herein as the "Leased Property"); and

WHEREAS, concurrently with the execution of this Site Lease, the Authority, the City and U.S. Bank National Association, as trustee (the "Trustee"), are entering into an Indenture, dated as of _____ 1, 2021 (the "Indenture");

WHEREAS, the Authority will issue its Lease Revenue Bonds, Series 2021A (the "Bonds"), in the aggregate principal amount of \$_____;

WHEREAS, the Bonds will be secured by the payments to be made by the City pursuant to the Lease Agreement;

WHEREAS, the City is authorized by law to lease the Leased Property and the Leased Property is necessary and proper for public purposes; 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 Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease;

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. <u>Leased Property</u>. The City hereby leases to the Authority and the Authority hereby rents and hires from the City, on the terms and conditions hereinafter set forth, those certain real property and improvements thereon or to be located thereon, more particularly described in Exhibit A attached hereto and made a part hereof (the "Leased Property"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms pursuant to the Lease Agreement.

Section 2. <u>Term</u>.

(a) The term hereof will commence on ______, 2021 and shall end on the Expiry Date, unless such term is sooner terminated or is extended as hereinafter provided herein and in the Lease Agreement. If prior to the Expiry Date all Base Rental Payments under the Lease Agreement shall have been paid, or provision therefor has been made in accordance with Article X of the Indenture, the term hereof shall end simultaneously therewith.

(b) If the Lease Agreement is extended beyond the Expiry Date pursuant to the terms thereof, this Site Lease shall also be extended to the day following the date of termination of the Lease Agreement.

Section 3. <u>Rent</u>. The Authority shall pay to the City an advance rent equal to the proceeds of the Bonds, which, together with the execution and delivery of the Lease Agreement, shall constitute full consideration for this Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Section 4. <u>Purpose</u>. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the City; *provided*, that in the event of default by the City under the Lease Agreement, the Authority may exercise the remedies provided in the Lease Agreement.

Section 5. <u>Owner in Fee</u>. The City covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Section 6. <u>Assignments and Leases</u>. Unless the City shall be in default under the Lease Agreement, the Authority may not, without the prior written consent of the City, assign its rights hereunder or sublet the Leased Property except that the City expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in this Site Lease to the Trustee pursuant to the Assignment Agreement (which is recorded concurrently herewith).

Section 7. <u>**Right of Entry.**</u> The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 8. <u>Termination</u>. The Authority agrees, upon the termination hereof, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination hereof shall remain thereon and title thereto shall vest in the City.

Section 9. <u>Default</u>. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease Agreement shall be deemed to occur as a result thereof; *provided*, that so long as

the Bonds executed and delivered pursuant to the Indenture are Outstanding, the City shall have no power to terminate this Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Lease Agreement then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Section 10. <u>**Quiet Enjoyment.**</u> The Authority at all times during the term hereof shall peaceably and quietly have, hold and enjoy the Leased Property.

Section 11. <u>Waiver of Personal Liability</u>. All liabilities hereunder on the part of the Authority shall be solely corporate liabilities of the Authority, and the City hereby releases each and every director, officer and employee of the Authority of and from any personal or individual liability hereunder. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

Section 12. <u>Eminent Domain</u>. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Base Rental Payments payable under the Lease Agreement, and the amount of the unpaid Additional Rental due under the Lease Agreement, and the balance of the award, if any, shall be paid to the City.

Section 13. <u>Amendments</u>. This Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Lease Agreement.

Section 14. <u>Partial Invalidity</u>. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 15. <u>Notices</u>. All written notices to be given shall be given by first class mail to the party entitled thereto as 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 Montclair 5111 Benito Street Montclair, California 91763 Attention: City Manager If to the Authority:

Montclair Public Financing Authority 5111 Benito Street Montclair, California 91763 Attention: Executive Director

Section 16. <u>Section Headings</u>. All section headings contained herein are for convenience of reference only and are not intended to define or limit scope of any provision hereof.

Section 17. <u>Counterparts</u>. This Site Lease may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 18. <u>Governing Law</u>. This Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

[This space intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Site Lease by their officers thereunder duly authorized as of the day and year first above written.

CITY OF MONTCLAIR

By:_____ City Manager

MONTCLAIR PUBLIC FINANCING AUTHORITY

By:_____

Executive Director

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

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

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 SAN BERNARDINO)

On ______, 2021, before me, ______, Notary Public, personally appeared ______, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature	[SEAL]
Signature	

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 SAN BERNARDINO)

On ______, 2021, before me, ______, Notary Public, personally appeared ______, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature	[SEAL]
Signature	

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

Nixon Peabody LLP 300 South Grand Avenue, Suite 4100 Los Angeles, California 90071 Attention: Danny Kim, Esq.

(Space above for Recorder's use)

This document is recorded for the benefit of the City of Montclair and the recording is fee-exempt under Section 6103 of the California Government Code and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

LEASE AGREEMENT

by and between the

MONTCLAIR PUBLIC FINANCING AUTHORITY, as Lessor

and the

CITY OF MONTCLAIR, as Lessee

relating to the

\$_____ Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A

Dated as of _____ 1, 2021

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LEASE AGREEMENT

This Lease Agreement (this "Lease Agreement"), executed and entered into as of 1, 2021, by and between the MONTCLAIR PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), as lessor, and the CITY OF MONTCLAIR, a general law city duly organized and existing under the Constitution and laws of the State of California (the "City"), as lessee;

WITNESSETH:

WHEREAS, concurrently with the execution of this Lease Agreement, the City and the Authority are entering into a Site Lease (the "Site Lease"), dated as of ______ 1, 2021 (which is recorded concurrently herewith), whereby the Authority will lease certain real property and the improvements thereon from the City, more particularly described in Exhibit A attached hereto (the "Real Property"), (such Real Property and the improvements thereon being collectively referred to herein as the "Leased Property");

WHEREAS, the City will then sublease the Leased Property back from the Authority pursuant to this Lease Agreement;

WHEREAS, concurrently with the execution of this Lease Agreement the Authority, the City and U.S. Bank National Association, as trustee (the "Trustee"), are entering into an Indenture, dated as of ______ 1, 2021 (the "Indenture");

WHEREAS, the Authority will issue its Lease Revenue Bonds, Series 2021A (the "Bonds"), in the aggregate principal amount of \$_____;

WHEREAS, the Bonds will be secured by the payments to be made by the City pursuant to this Lease Agreement;

WHEREAS, the City is authorized by law to sublease the Leased Property and the Leased Property is necessary and proper for public purposes; 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 PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01 <u>Definitions</u>. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof 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. All other capitalized terms used herein without definition shall have the meanings as set forth in the Indenture.

Additional Payments

"Additional Payments" means all amounts payable by the City pursuant to Section 5.01(b) hereof.

Base Rental Payment Date

The term "Base Rental Payment Date" means the date five days preceding each Interest Payment Date.

Base Rental Payments

"Base Rental Payments" means all amounts payable by the City as Base Rental pursuant to Section 5.01(a) hereof.

Expiry Date

"Expiry Date" means April 1, 2051.

Insurance Consultant

"Insurance Consultant" means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

Leased Property

"Leased Property" means the Real Property and the improvements thereon (as the same may be changed from time to time by Removal or Substitution).

Lease Year

The term "Lease Year" means the period from each June 2 to and including the following June 1 during the term hereof; provided that the final Lease Year shall terminate on the Expiry Date.

Net Proceeds

The term "Net Proceeds" means any insurance or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers),

paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

Permitted Encumbrances

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to Section 6.02, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) this Lease Agreement, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Lease Agreement in the office of the County Recorder of the County of San Bernardino; and (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of this Lease Agreement and to which the Authority and the City consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Facilities by the City.

Real Property

"Real Property" means the real property described in Exhibit A hereto.

Removal

"Removal" means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease as provided in Section 2.06.

Site Lease

"Site Lease" means that certain Site Lease, executed and entered into as of 1, 2021 (which is recorded concurrently herewith), by and between the City and the Authority, as originally executed and entered into and as it may from time to time be amended in accordance herewith and therewith.

Substitution

"Substitution" means the release of all or a portion of the Leased Property from the leasehold hereof and of the Site Lease, and the lease of substituted real property and improvements hereunder and under the Site Lease as provided in Section 2.06.

The singular form of any word used herein, including the terms defined in this Section 1.01, 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. All references herein to "Sections" and other subdivisions hereof are to the corresponding Sections or subdivisions of this Lease Agreement as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Lease Agreement as a whole and not to any particular Section or subdivision hereof.

ARTICLE II

THE LEASED PROPERTY

Section 2.01 <u>Lease of the Leased Property</u>. The Authority hereby leases to the City, and the City hereby rents and hires from the Authority, the Leased Property on the conditions and terms hereinafter set forth. The City hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and in the Indenture, and the City hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property.

Section 2.02 <u>**Quiet Enjoyment**</u>. The parties hereto mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 2.03 <u>**Right of Entry and Inspection**</u>. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations hereunder and for all other lawful purposes.

Section 2.04 Prohibition Against Encumbrance or Sale. The City and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided herein. Notwithstanding anything to the contrary herein contained, the City may assign, transfer or sublease any and all of the Leased Property or its other rights hereunder, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority hereunder, (b) no such assignment, transfer or sublease shall relieve the City of any of its obligations hereunder, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the City contained in any other Section hereof, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to this Lease Agreement, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted hereunder by an amendment to this Lease Agreement which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Section 2.05 <u>Liens</u>. In the event the City shall at any time during the term hereof cause any improvements to the Leased Property to be constructed or materials to be supplied in or

upon or attached to the Leased Property, the City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the City shall 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. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge or cause to be paid and discharged such judgment. The City shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Section 2.06 Substitution or Removal of Leased Property.

(a) The City may amend this Lease Agreement and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold hereunder and under the Site Lease.

(b) No Substitution or Removal shall take place hereunder until the City delivers to the Authority and the Trustee the following:

(1) A Certificate of the City containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the City (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of this Lease Agreement, is at least equal to the maximum annual Base Rental Payments payable hereunder attributable to the Leased Property prior to said Substitution or Removal, as determined by the City on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of this Lease Agreement;

(3) An opinion of Bond Counsel addressed to the City, the Authority and the Trustee to the effect that the amendments hereto and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the City's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the City for the purposes of leasing or using the Substituted Property; and

(6) Evidence that the City has complied with the covenants contained in clauses (2) and (3) of Section 6.03 hereof with respect to the Substituted Property.

ARTICLE III

TERM OF THE LEASE AGREEMENT

Section 3.01 <u>Commencement of the Lease Agreement</u>. The effective date of this Lease Agreement is the Closing Date, and the term of this Lease Agreement shall expire on the later of (i) the Expiry Date; (ii) the date the last Base Rental Payment is made under the provisions hereof; or (iii) the date of discharge of all of the Bonds pursuant to Article X of the Indenture. Notwithstanding the foregoing, the term of this Lease Agreement shall automatically be extended for a period of ten (10) years, if, on the Expiry Date, the Base Rental Payments have not been fully paid or prepaid and any Additional Payment have not paid in full, and shall terminate on the date when the Base Rental Payments and Additional Payments have been fully paid or prepaid in accordance with the terms hereof.

ARTICLE IV

USE OF PROCEEDS

Section 4.01 <u>Use of Proceeds</u>. The parties hereto agree that the proceeds of the Bonds will be used by the Authority to finance various public capital improvements within the City and to pay costs of issuance of the Bonds, as more fully set forth in the Indenture.

ARTICLE V

RENTAL PAYMENTS

Section 5.01 <u>Rental Payments</u>. The City agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) <u>Base Rental</u>. Subject to the immediately following sentence, the City shall pay to the Authority rental hereunder as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached hereto as Exhibit B, and made a part hereof.

The interest components of the Base Rental Payments shall be paid by the City as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the City hereunder. The obligation to make the Base Rental Payments set forth on Exhibit B attached hereto shall commence as of the Closing Date.

If the term of this Lease Agreement shall have been extended pursuant to Section 3.01 hereof, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of this Lease Agreement. Upon such extension of this Lease Agreement, the City shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

Additional Payments. The City shall also pay in addition to the Base (b) Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts ("Additional Payments") in each year as shall be required for the payment of all costs and expenses incurred in connection with the execution, performance or enforcement of this Lease Agreement or the assignment hereof, the Indenture, or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City hereunder, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), rebate payments, expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture.

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable hereunder. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Authority or any Indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable hereunder. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Authority in making any determination that costs are payable as Additional Payments hereunder, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

(c) <u>Consideration</u>.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of this Lease Agreement shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the City for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the City shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties hereto have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable hereunder in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(ii) Notwithstanding anything to the contrary herein contained, this Lease Agreement may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the City hereunder.

(d) <u>Payment; Credit</u>. 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 corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Authority, 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 any 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, at the option of the City, be credited against subsequent rental payments due hereunder or be refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this Section 5.01(d) on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Section 5.02 <u>Annual Budgets; Reporting Requirements</u>. The City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under this Lease Agreement in its operating budget for each fiscal year commencing after the date hereof and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Section 5.03 <u>Application of Rental Payments</u>. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due hereunder, then to the principal components (including any prepayment premium components) of the Base Rental Payments due hereunder and thereafter to all Additional Payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 5.04 <u>Rental Abatement</u>. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the City of any portion of the Leased Property, Based Rental Payments due hereunder with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case Base Rental Payments shall be abated only by an amount equal to the difference. In the event the City shall assign, transfer or sublease any or all of the Leased Property or other rights hereunder, as permitted by Section 2.04 hereof, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to this Lease Agreement as provided in clause (d) of Section 2.04 hereof. Any abatement of Base Rental Payments pursuant to this Section shall not be considered an Event of Default as defined in Article X hereof. The City waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Lease Agreement by virtue of any such interference and this Lease Agreement shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this Section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Section 5.05 <u>Prepayment of Rental Payments</u>. The City may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to Section 7.01 hereof, all or any portion of the components of Base Rental Payments payable hereunder relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under this Lease Agreement represented by the Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under this Lease Agreement represented by the Bonds.

The City may prepay, from any source of available moneys pursuant to Section 4.01(b) of the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under this Lease Agreement then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under this Lease Agreement which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this Section, at least 45 days before the prepayment date the City shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Section 5.06 <u>Obligation to Make Rental Payments</u>. The agreements and covenants on the part of the City contained herein 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 agreements and covenants contained herein agreed to be carried out and performed by the City.

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL

SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

ARTICLE VI

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES

Section 6.01 <u>Maintenance of the Leased Property by the City</u>. The City agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Section 6.02 <u>Taxes, Other Governmental Charges and Utility Charges</u>. The parties hereto contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Lease Agreement is in effect.

Section 6.03 <u>Insurance</u>. The City shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this Section 6.03. Such insurance shall consist of:

(1) standard commercial general liability insurance policy or policies or other comparable coverage form in protection of the City and its respective members, officers, agents, employees and assigns. 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 operation of the Leased Property should the City be legally liable. Such policy or policies must provide coverage with limits and subject to such deductibles as the City will deem adequate and prudent, and in all events in form and amount (including any deductibles). Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, a self-insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the proceeds of such liability insurance toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

(2) property insurance against loss or damage to all of the buildings situated on the Leased Property and owned by the City, in an amount at least equal to the lesser of the replacement value of the insured buildings and the aggregate principal amount of the Base Rental Payments outstanding. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Earthquake insurance will only be carried if available from reputable insurers at a reasonable cost as determined by the City Manager, Finance Director or Finance Manager of the City. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, a self-insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the Net Proceeds of such insurance as provided in Section 7.01.

(3) So long as any Bonds are Outstanding, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Property and the improvements situated thereon as a result of any of the hazards covered in the insurance required by Section 6.03(2), in an amount at least equal to the maximum Base Rental Payments coming due and payable during any immediately succeeding 24 month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such rental interruption insurance shall not be self-insured by the City. The City will apply the Net Proceeds of such insurance towards the payment of the Base Rental Payments allocable to the insured improvements as the same become due and payable.

(4) If required by applicable California law, the City shall carry worker's compensation insurance covering all employees on, in, near or about the Leased Property and, upon request, shall furnish to the Authority certificates evidencing such coverage throughout the Term of this Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including a self-insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance

All insurance policies (or riders) required by this Section 6.03 and provided by third party insurance carriers shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten (10) days before the cancellation or revision becomes effective. Each insurance policy or rider required by Sections 6.03 (1), 6.03(2) and 6.03(3) and provided by third party insurance carriers shall name the City as an insured party. Prior to the Closing Date, the City will provide policies (and riders and endorsements, if applicable) evidencing any such insurance procured by it, or a certificate or

certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), the City will furnish to the Trustee evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article VI unless such insurance is no longer obtainable, in which event the City shall notify the Trustee of such fact.

Section 6.04 <u>Advances</u>. In the event the City shall fail to maintain the full insurance coverage required hereby or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the City agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Section 6.05 <u>Title Insurance</u>. The City covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA or ALTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable hereunder. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the City in the Leased Property subject only to such exceptions as do not materially affect the City's right to the use and occupancy of the Leased Property.

ARTICLE VII

DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION

Section 7.01 Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term hereof (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the City and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the City; provided, that the City, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due hereunder attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of Section 4.01(a) of the Indenture. Notwithstanding any other provision herein, the City shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to redeem all the Outstanding Bonds, both as provided in the preceding paragraph, then the City may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; *provided* that the failure of the City to so budget and/or appropriate shall not be a breach of or default under this Lease Agreement.

ARTICLE VIII

DISCLAIMER OF WARRANTIES; USE OF THE LEASED PROPERTY

Section 8.01 Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN. CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. 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 existence, furnishing, functioning or the City's use of the Leased Property as provided hereby.

Section 8.02 <u>Use of the Leased Property; Improvements</u>. The City will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The City shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, 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 City adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE IX

ASSIGNMENT AND INDEMNIFICATION

Section 9.01 <u>Assignment by Authority</u>. The parties understand that certain of the rights of the Authority hereunder and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the City agrees to make all payments due hereunder to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term hereof.</u>

Section 9.02 <u>Assignment by City</u>. This Lease Agreement and the interest of the City in the Leased Property may not be assigned or encumbered by the City except as permitted by Section 2.04 hereof.

Section 9.03 Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Bonds, the entering into of this Lease Agreement, the acquisition, construction, installation and use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this Section 9.03 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following the learning thereof by such party.

ARTICLE X

DEFAULT

Section 10.01 <u>Default</u>.

(a) The following events shall be "Events of Default" under this Lease Agreement and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events:

(1) The City shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is

required pursuant to Section 5.01(a) hereof, provided, that the failure to deposit any Base Rental Payments abated pursuant to Section 5.04 hereof shall not constitute an Event of Default;

(2) The City shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to Section 5.01(b) hereof; or

(3) The City shall breach any other terms, covenants or conditions contained herein or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the City; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in Section 10.01(a) or (d) hereof, it shall be lawful for the Authority or its assignee, subject to the terms of this Lease Agreement, to exercise any and all remedies available or granted to it pursuant to law or hereunder; <u>provided</u>, <u>however</u>, that notwithstanding anything herein or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable. After the occurrence of an event of default hereunder, the City will surrender possession of the Leased Property to the Authority, if requested to do so by the Authority, or by the Trustee or the Owners in accordance with the provisions of the Indenture.

No Termination: Repossession and Reletting on Behalf of City. In (1)the event the Authority does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (2) hereof, the Authority with the consent of the City, which consent is irrevocably given, may repossess the Leased Property and relet them for the account of the City, in which event the City's obligation will continue to accrue from year to year in accordance with the Lease and the City will continue to receive the value of the use of the Leased Property from year to year in the form of credits against its obligation to pay Base Rental Payments. The obligations of the City shall remain the same as prior to such default to pay Base Rental Payments whether the Authority re-enters or not. The City agrees to and shall remain liable for the payment of all Base Rental Payments and the performance of all conditions contained herein and shall reimburse the Authority for any deficiency arising out of the reletting of the Leased Property, or, in the event the Authority is unable to relet the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of this Lease Agreement, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of Base Rental Payments hereunder, notwithstanding such repossession by the Authority or any suit, brought by the Authority for the purpose of effecting such repossession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to repossess and relet the Leased Property in the event of default by the City in the performance of any covenants contained herein to be performed by the City and to remove (any removal to be done with reasonable prudence) all personal

property connected to or made a part of the Leased Property, to place such property in storage or other suitable place in the City of Montclair, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such repossession and reletting of the Leased Property. The City hereby waives any and all claims for damages caused or which may be caused by the Authority in repossessing the Leased Property as provided herein and all claims for damages that may result from the destruction of or the injury to the Leased Property and all claims for damage to or loss of any property belonging to the City that may be in or upon the Leased Property.

The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to relet the Leased Property in the event of such repossession without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Authority in effecting such reletting shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such reletting is made or the terms and conditions of such reletting 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 (2) below. The City further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in reletting the Leased Property. In the event that the liability of the City under this subsection is held to constitute indebtedness or liability in any year exceeding the income and revenue provided for such year, the Authority, or the Trustee or the Owners as assignees of the Authority, shall not exercise the remedies provided in this subsection.

Termination: Repossession and Reletting. In the event of the (2)termination of this Lease Agreement by the Authority at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any repossession of the Leased Property by the Authority in any manner whatsoever or the sale or reletting of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, losses or damages, but not Base Rental Payments, howsoever arising or occurring payable at the same time and in the same manner as is provided herein in the case of payment of Base Rental Payments. Any proceeds of the reletting or other disposition of the Leased Property or the sale of the improvements located on the Leased Property by the Authority shall, after payment of the fees and expenses of the Trustee and other Additional Payments, be deposited into the Revenue Fund and be applied in accordance with the provisions of the Indenture. Any surplus received by the Authority from such sale or reletting shall be the absolute property of the Authority and the City shall have no right thereto, nor shall the City be entitled to any credit in the event of a surplus in the rentals received by the Authority for the Leased Property. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any proceeding taken by the Authority to recover possession of the Leased Property shall by itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the 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 Leased Property or of the remainder of the term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice. No such termination shall be effected whether by operation of law or acts of the parties hereto, except only in the manner herein expressly provided.

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

(d) In addition to any Event of Default resulting from breach by the City of any agreement, condition, covenant or term hereof, if the City's interest herein or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by Section 2.04 hereof), either voluntarily or by operation of law; or the City or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject 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 its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or the City shall abandon or vacate the Leased Property or any portion thereof (except as permitted by Section 2.04 hereof); then in each and every such case the City shall be deemed to be in default hereunder.

(e) Neither the City nor the Authority shall be in default in the performance of any of its obligations hereunder (except for the obligation to make Base Rental Payments pursuant to Section 5.01 hereof) unless and until it shall have failed to perform such obligation within 30 days after notice by the City of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(f) The City and Authority and its successors and assigns shall honor the exclusive rights of the City to use the Leased Property.

ARTICLE XI

MISCELLANEOUS

Section 11.01 <u>Notices</u>. All written notices to be given hereunder shall be given by first class 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 Authority:

Montclair Public Financing Authority 5111 Benito Street Montclair, California 91763 Attention: Executive Director If to the City:

City of Montclair 5111 Benito Street Montclair, California 91763 Attention: City Manager

If to the Trustee:

U.S. Bank National Association 633 West 5th Street, 24th Floor Los Angeles, California 90071 Attention: Global Corporate Trust

Section 11.02 <u>Binding Effect</u>. This Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 11.03 <u>Trustee as Third Party Beneficiary</u>. 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 11.04 <u>Net Lease</u>. It is the purpose and intent of the Authority and the City that Base Rental Payments hereunder shall be absolutely net to the Authority so that this Lease Agreement shall yield to the Authority the Base Rental Payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the City except as herein specifically otherwise provided. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of this Lease Agreement shall be paid by the City. This Lease Agreement shall be deemed and construed to be a "Triple-Net Lease."

Section 11.05 <u>Amendments</u>. This Lease Agreement may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written consent of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment hereof.

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

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved herein to or conferred herein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with Section 2.06 hereof; or

(d) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners.

Section 11.06 <u>Discharge of City</u>. Upon the payment of all Base Rental Payments and Additional Payments payable hereunder, all of the obligations of the City hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments hereunder pursuant to Section 10.01(b) of the Indenture, then the obligation of the City hereunder to make Base Rental Payments hereunder shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by Section 10.01(b) of the Indenture, and that shall be the sole source of satisfaction of the City's obligation to make Base Rental Payments. The time period for giving notice by the City to the Authority and the Trustee specified in the third paragraph of Section 5.05 hereof shall not apply incident to the payment to the Owners of all Outstanding Bonds in accordance with Section 10.01(b), of the Indenture.

Section 11.07 <u>Partial Invalidity</u>. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Lease Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 11.08 <u>California Law</u>. This Lease Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 11.09 <u>Headings</u>. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 11.10 <u>Execution</u>. This Lease Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Lease Agreement by their officers thereunto duly authorized as of the day and year first written above.

MONTCLAIR PUBLIC FINANCING AUTHORITY

By: ______Executive Director

CITY OF MONTCLAIR

By: _____ City Manager

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

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

EXHIBIT B

BASE RENTAL PAYMENTS SCHEDULE

		Interest	
	Principal Component	Component of	
Interest	of Base Rental	Base Rental	
Payment Date*	Payment	Payment	Total

^{*} Due on each Base Rental Payment Date or that date five days preceding each Interest Payment Date.

		Interest	
	Principal Component	Component of	
Interest	of Base Rental	Base Rental	
Payment Date*	Payment	Payment	Total

Total

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Lease Agreement, dated as of ______1, 2021, by and between the Montclair Public Financing Authority (the "Authority") and the City of Montclair (the "City"), from the Authority to the City, is hereby accepted by the undersigned on behalf of the City pursuant to authority conferred by resolution of the City Council of the City adopted on _____, 2021, and the City consents to recordation thereof by its duly authorized officer.

Dated as of _____, 2021

CITY OF MONTCLAIR

By: _____ City Manager City Manager

STATE OF CALIFORNIA)) ss COUNTY OF SAN BERNARDINO)

On _____, 2021, before me, _____, Notary Public, personally appeared ______, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

STATE OF CALIFORNIA)) ss COUNTY OF SAN BERNARDINO)

On _____, 2021, before me, _____, Notary Public, personally appeared ______, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

STATE OF CALIFORNIA)) ss COUNTY OF SAN BERNARDINO)

On ______, 2021, before me, ______, Notary Public, personally appeared ______, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Recording Requested By And When Recorded Mail To:)
Nixon Peabody LLP)
300 South Grand Avenue, Suite 4100)
Los Angeles, California 90071)
Attention: Danny Kim, Esq.)

(Space above for Recorder's Use)

This document is recorded for the benefit of the City of Montclair and the recording is fee-exempt under Section 6103 of the California Government Code and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

ASSIGNMENT AGREEMENT

by and between

MONTCLAIR PUBLIC FINANCING AUTHORITY, as Assignor

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee and Assignee

relating to the

\$______Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A

Dated as of _____ 1, 2021

ASSIGNMENT AGREEMENT

This Assignment Agreement (the "Assignment Agreement"), executed and entered into as of ______ 1, 2021, by and between the Montclair Public Financing Authority (the "Authority"), a joint powers authority duly organized and existing under and pursuant to California Government Code Sections 6500 <u>et seq</u>. and U.S. Bank National Association (the "Trustee"), a national banking association existing under and by virtue of the laws of the United States of America, as trustee under the Indenture (as hereinafter defined);

WITNESSETH:

WHEREAS, the Authority and the City of Montclair (the "City") have executed and entered into the Lease Agreement (the "Lease Agreement"), dated as of ______ 1, 2021 (which is recorded concurrently herewith), pursuant to which the Authority has leased that certain real property, as more particularly described in the Lease Agreement (the "Leased Property") to the City, as described in Exhibit A attached hereto and incorporated herein; and

WHEREAS, under and pursuant to the Lease Agreement, the City is obligated to make rental payments to the Authority for the lease of the Leased Property to it; and

WHEREAS, the Authority desires to assign without recourse all its rights to receive the Base Rental Payments (as defined in the Lease Agreement) and certain other payments scheduled to be paid by the City under and pursuant to the Lease Agreement to the Trustee; and

WHEREAS, in consideration of such assignment and the execution and entering into of an Indenture (the "Indenture"), dated as of ______ 1, 2021, among the Trustee, the City and the Authority, the Authority will issue its Lease Revenue Bonds, Series 2021A in the aggregate principal amount of \$_____; 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 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. <u>Assignment</u>. The Authority, for good and valuable consideration, the receipt of which is hereby acknowledged, does hereby unconditionally grant, transfer and assign to the Trustee without recourse (i) all its rights to receive the Base Rental Payments (as defined in the Lease Agreement) under and pursuant to the Lease Agreement, (ii) the right to take all actions under the Lease Agreement, (iii) the right of access more particularly described in the Lease Agreement, and (iv) any and all other rights and remedies of the Authority in the Lease Agreement as lessor thereunder (except the Authority's rights to indemnification and payment of reimbursement for any costs or expenses thereunder); *provided*, that so long as no default in

payment of Base Rental Payments under the Lease Agreement shall have occurred or be continuing, the Authority shall have and may exercise all rights of the Authority under the Lease Agreement other than the right to receive the Base Rental Payments.

SECTION 2. <u>Acceptance</u>. The Trustee hereby accepts the foregoing assignment for the benefit of the owners of the Bonds, as defined in the Indenture, subject to the conditions and terms of the Indenture, and all such Base Rental Payments shall be applied and all such rights so assigned shall be exercised by the Trustee as provided in the Indenture.

SECTION 3. <u>Conditions</u>. This Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

SECTION 4. <u>California Law</u>. This Assignment Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 5. <u>Severability</u>. If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

SECTION 6. <u>Execution in Counterparts</u>. This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Assignment Agreement.

[This space intentionally left blank]

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

MONTCLAIR PUBLIC FINANCING AUTHORITY

By: _____ Executive Director

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ______Authorized Signatory

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

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

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

On _____, 2021, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

STATE OF CALIFORNIA)) ss COUNTY OF SAN BERNARDINO)

On ______, 2021, before me, ______, Notary Public, personally appeared _______, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

INDENTURE

by and among

U.S. BANK NATIONAL ASSOCIATION as Trustee,

CITY OF MONTCLAIR

and

MONTCLAIR PUBLIC FINANCING AUTHORITY

Dated as of _____ 1, 2021

relating to the

\$_ **Montclair Public Financing Authority** Lease Revenue Bonds, Series 2021A

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INDENTURE

This INDENTURE, made and entered into as of ______ 1, 2021, by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"), the CITY OF MONTCLAIR, a general law city duly organized and existing under the laws of the State of California (the "City"), and MONTCLAIR PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the State of California (the "Authority");

$\underline{WITNESSETH}$:

WHEREAS, the City and the Authority have executed and entered into a Site Lease (the "Site Lease") dated as of ______ 1, 2021, whereby the City has agreed to lease to the Authority the real property more particularly described in Exhibit A attached hereto (the "Real Property"), which together with the improvements thereon is referred to as the "Leased Property";

WHEREAS, the City and the Authority have executed and entered into a Lease Agreement (the "Lease Agreement") dated as of ______ 1, 2021, whereby the City has agreed to sublease back the Leased Property from the Authority;

WHEREAS, under and pursuant to the Lease Agreement, the City is obligated to make rental payments to the Authority;

WHEREAS, the Authority has assigned without recourse all its rights to receive the Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease Agreement, and certain other rights to the Trustee pursuant to the Assignment Agreement (the "Assignment Agreement") executed and entered into as of ______ 1, 2021;

WHEREAS, in consideration of the assignments pursuant to the Assignment Agreement and the execution and delivery of this Indenture, the Authority has agreed to issue its Lease Revenue Bonds, Series 2021A (the "Bonds");

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 Indenture 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 Indenture;

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 <u>Definitions</u>. 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:

Additional Payments

The term "Additional Payments" means the additional payments payable by the City under and pursuant to Section 5.01(b) of the Lease Agreement.

Assignment Agreement

The term "Assignment Agreement" means that certain Assignment Agreement, dated as of ______ 1, 2021, by and between the Authority and the Trustee, as it may from time to time be amended.

Authority

The term "Authority" means the Montclair Public Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

Authorized Denominations

The term "Authorized Denominations" means \$5,000 or any integral multiple thereof.

Base Rental Payments

The term "Base Rental Payments" means the aggregate base rental payments with interest components and principal components payable by the City under and pursuant to Section 5.01(a) of the Lease Agreement in the amounts and at the times set forth in Exhibit B thereof.

Beneficial Owner

The term "Beneficial Owner" shall have the same meaning as the term "Holder" set forth in the Continuing Disclosure Agreement.

Bond Counsel

The term "Bond Counsel" means (a) Nixon Peabody LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority with nationally recognized

experience in the issuance of municipal obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

Bond Purchase Agreement

The term "Bond Purchase Agreement" means that certain Bond Purchase Agreement, dated ______, 2021, by and among the Underwriter, the Authority and the City relating to the Bonds.

Bonds; Serial Bonds; Term Bonds

The term "Bonds" means the Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A.

The term "Serial Bonds" means Bonds for which no sinking fund payments are provided.

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Bond Year

The term "Bond Year" means the twelve-month period ending on April 1 of each year to which reference is made.

Business Day

The term "Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal corporate trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. 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 Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Indenture, and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Certificate, Statement, Written Request or Requisition of the Authority or the City

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the City means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chair, Executive Director, Treasurer or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the City means its Mayor, City Manager, Finance Director, Finance Manager, Treasurer or such other person as may be designated and authorized to sign for the City in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, 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. If and to the extent required by Section 12.06, each such instrument shall include the statements provided for in Section 12.06.

Certificate of Completion

"Certificate of Completion" means a Certificate of the City filed with the Trustee, stating that construction of a Project has been substantially completed and that all Construction Costs have been paid or provided for.

City

The term "City" means the City of Montclair, a general law city duly organized and existing under the Constitution and laws of the State of California.

Closing Date

The term "Closing Date" means _____, 2021.

Code

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

Construction Costs

"Construction Costs" means all costs of constructing a Project, including, but not limited to:

(1) all costs which the Authority or the City shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of a Project;

(2) obligations of the Authority, the City or others incurred for labor and materials (including obligations payable to the Authority, the City or others for actual out-ofpocket expenses of the Authority, the City or others) in connection with the construction, installation or improvements of a Project, including reimbursement to the Authority, the City or others for all advances and payments made in connection with a Project prior to or after delivery of the Bonds;

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of a Project;

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

(5) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the construction, installation or improvement of a Project.

Construction Fund

"Construction Fund" means the fund by that name established pursuant to Section 3.03 hereof.

Continuing Disclosure Agreement

The term "Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the City at the time of the initial issuance of the Bonds, as originally executed and as such Continuing Disclosure Agreement may be amended from time to time in accordance with the terms thereof.

Costs of Issuance Fund

The term "Costs of Issuance Fund" means the fund by that name established in accordance with Section 3.04 hereof.

Costs of Issuance

The term "Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Lease Agreement, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; verification agent fees; bidding agent fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the Lease Agreement of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the City.

Defeasance Securities

The term "Defeasance Securities" means any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. Treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series; and
- (3) Obligations described in paragraph (7) of the definition of Permitted Investments.

DTC

The term "DTC" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to Section 2.07 hereof.

Event of Default

The term "Event of Default" means any occurrence or event specified in and defined by Section 7.01 hereof.

Fiscal Year

The term "Fiscal Year" means the fiscal year of the City which, as of the date hereof, is the period from July 1 to and including the following June 30.

Hazardous Substances

The term "Hazardous Substances" means any substances, pollutants, wastes and contaminants now or hereafter included in such (or similar term) term under any federal state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

Indenture

The term "Indenture" means this Indenture by and among the Trustee, the City and the Authority, dated as of ______ 1, 2021, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Insurance Proceeds and Condemnation Awards Fund

The term "Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established in accordance with Section 5.03 hereof.

Interest Fund

The term "Interest Fund" means the Interest Fund within the Revenue Fund established in accordance with Section 5.01(a) hereof.

Interest Payment Date

The term "Interest Payment Date" means April 1 and October 1 of each year, commencing on April 1, 2022.

Interest Period

The term "Interest Period" means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Bonds to but excluding April 1, 2022.

Joint Powers Agreement

"Joint Powers Agreement" means the Joint Exercise of Powers Agreement by and between the City and the Montclair Housing Authority, dated as of September 1, 2014, and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Lease Agreement

The term "Lease Agreement" means that certain Lease Agreement, dated as of ______1, 2021, with respect to the Leased Property, by and between the City, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

Leased Property

The term "Leased Property" means the real property and all the improvements thereon or to be located thereon described in Exhibit A attached hereto, and Exhibit A in the Site Lease and in the Lease Agreement (as the same may be changed from time to time by Removal or Substitution, as defined in the Lease Agreement).

Mandatory Sinking Account Payment

The term "Mandatory Sinking Account Payment" means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of this Indenture or any Supplemental Indenture.

Mandatory Sinking Account Payment Date

The term "Mandatory Sinking Account Payment Date," means April 1 of each year pursuant to this Indenture or any Supplemental Indenture.

<u>MSRB</u>

The term "MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

Opinion of Counsel

The term "Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City.

Outstanding

The term "Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in Section 10.01(b) hereof, except:

- (1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;
- (2) Bonds which pursuant to Section 9.02 hereof are not deemed outstanding;
- (3) Bonds paid or deemed to have been paid within the meaning of Section 10.01 hereof; and
- (4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to Section 2.10 hereof.

Owner

The term "Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

Permitted Investments

The term "Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the City:

- (1) Defeasance Securities;
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank;
 - Rural Economic Community Development Administration;
 - U.S. Maritime Administration;
 - Small Business Administration;

- U.S. Department of Housing & Urban Development (PHAs);
- Federal Housing Administration; and
- Federal Financing Bank.
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - Obligations of the Resolution Funding Corporation (REFCORP);
 - Senior debt obligations of the Federal Home Loan Bank System; and
 - Senior debt obligations of other Government Sponsored Agencies.
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" or better by S&P and which matures not more than 270 calendar days after the date of purchase.
- (6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.
- (7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
 - (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in this Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate,

and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (8) Municipal Obligations rated in the top two rating categories or higher by S&P.
- (9) Investment Agreements with entities rated at the time of entry into the agreement in the top three rating categories or higher by S&P (supported, as may be required, by appropriate opinions of counsel);
- (10) Any investment authorized by California Government Code Section 53601;
- (11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Indenture; and
- (12) Senior obligations of (a) International Bank for Reconstruction and Development ("IBRD" or "World Bank"); (b) International Financing Corporation ("IFC") and (c) Inter-American Development Bank ("IADB").

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

Principal Corporate Trust Office

The term "Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in Section 12.12 hereof, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office specified by the Trustee.

Principal Fund

The term "Principal Fund" means the Principal Fund within the Revenue Fund established in accordance with Section 5.01(a) hereof.

Principal Payment

The term "Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

Principal Payment Date

The term "Principal Payment Date" means April 1 of each year, commencing on the Principal Payment Date or Dates set forth in Section 2.03 hereof.

Project

The term "Project" means, to the extent identified by the City as such, the public facilities to be constructed, acquired and equipped with the proceeds of the Bonds.

Rebate Requirement

The term "Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

Record Date

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

Redemption Fund

The term "Redemption Fund" means the fund by that name established in accordance with Section 5.02(d) hereof.

Rental Payments

The term "Rental Payments" means, collectively, the Base Rental Payments and the Additional Payments.

Representation Letter

The term "Representation Letter" means the Letter of Representations from the City and the Trustee to DTC, or any successor securities depository for the Bonds, in which the City and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

Revenue Fund

The term "Revenue Fund" shall have the meaning given to such term in Section 5.01(a).

Revenues

The term "Revenues" means all Base Rental Payments pursuant to the Lease Agreement, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund pursuant to Section 12.09.

<u>S&P</u>

"S&P" means S&P Global Ratings, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City by notice in writing to the Authority and the Trustee.

Site Lease

The term "Site Lease" means that certain Site Lease, dated as of ______ 1, 2021, with respect to the Leased Property, by and between the City, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

Supplemental Indenture

The term "Supplemental Indenture" means an agreement amending or supplementing the terms hereof entered into pursuant to the terms hereof.

Surplus Subaccount

The term "Surplus Subaccount" means the account by that name established in accordance with Section 3.03 hereof.

Tax Certificate

The term "Tax Certificate" means that Tax and Nonarbitrage Certificate executed at the time of execution and delivery of the Bonds relating to the requirements of Section 148 of the Code, as such Tax and Nonarbitrage Certificate may be amended or supplemented.

Trustee

The term "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 of America and having a corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in Section 8.02 hereof.

Underwriter

The term "Underwriter" means Hilltop Securities Inc.

Section 1.02 <u>Interpretation</u>. (a) In this Indenture, unless the context otherwise requires:

(i) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Indenture; (ii) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(iii) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(iv) Any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(b) Whenever in this Indenture the City, the Authority or the Trustee is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the City, the Authority or the Trustee contained in this Indenture shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the City or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

(c) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the City, the Authority, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the City shall be for the sole benefit of the City, the Authority, the Trustee (including its agents) and the Owners.

Section 1.03 <u>Equal Security</u>. In consideration of the acceptance of the Bonds by the Owners, this Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the principal of, premium, if any, and interest on the Bonds which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners 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 execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II.

TERMS AND CONDITIONS OF BONDS

Section 2.01 <u>Authorization of Bonds</u>. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized to issue the Bonds in the form and manner provided herein, and that the Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

Section 2.02 <u>Terms of Bonds</u>. The Bonds authorized to be issued by the Authority under and subject to the terms of this Indenture shall be designated "Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A," in the aggregate principal amount of <u>\$______;</u> and shall be executed and delivered in the form of fully registered Bonds, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Bonds shall be dated their date of delivery. Each Bond shall bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication shall be (i) prior to the close of business on ______ 15, 202__, in which case such Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Bond shall bear interest from such date of authentication; *provided, however*, that if, as shown by the records of the Trustee, interest shall be in default, each Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Section 2.03 Payment Dates of Bonds; Interest.

(a) *Method and Place of Payment*. The principal of the Bonds shall be payable, subject to prior redemption, on each Principal Payment Date, as the case may be, in each of the years and in the amounts and with the rate of interest components set forth in the following table:

Payment Date		Rate of
(April 1)	Principal Amount	Interest

* Term Bonds.

The interest on the Bonds shall be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Bonds as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof. Payments of defaulted interest on any Bond shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of the Bond not less than ten days prior thereto. The principal and premium, if any, of the Bonds shall be payable upon presentation and surrender thereof on maturity or on redemption prior thereto at the Principal Corporate Trust Office of the Trustee.

The Owner of \$1,000,000 or more in aggregate principal amount of the Bonds may request in writing that the Trustee pay the interest on the Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

(c) **Principal and Interest Payments**. The principal of the Bonds shall be payable on the Principal Payment Dates indicated in subsection (a) above and the interest on the Bonds shall be payable on each Interest Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 2.04 <u>Form of Bonds</u>. The Bonds and the assignment to appear thereon shall be in substantially the forms, respectively, of Exhibit B hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

Section 2.05 <u>Execution of Bonds</u>. The Chair or the Executive Director of the Authority is hereby authorized and directed to execute each of the Bonds on behalf of the Authority and the

Secretary of the Authority is hereby authorized and directed to countersign each of the Bonds on behalf of the Authority. The signatures of such Chair, Executive Director and Secretary may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibit B hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.06 <u>Transfer and Payment of Bonds; Exchange of Bonds</u>. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Section 2.07 <u>Book-Entry Bonds</u>. Notwithstanding any provision of this Indenture to the contrary, the transfer provisions of Section 2.06 hereof do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as provided in subparagraph (d) of this Section 2.07, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede &

Co., as nominee for DTC. Notwithstanding anything to the contrary contained in this Indenture, payment of interest with respect to any 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 for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof or as otherwise provided in the Representation Letter.

The Bonds shall be initially executed and delivered in the form of separate (b) single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof in the name of Cede & Co., as nominee of DTC. The Trustee and the City shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the City shall be affected by any notice to the contrary. Neither the Trustee nor the City shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under this Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to this Indenture. 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 order to qualify the Bonds for DTC's book-entry system, the City and the Trustee, if required by DTC, will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 2.07 or in any other way impose upon the Trustee, the City or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the City determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the City will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the City determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the City shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds 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 City, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of this Indenture. If the City fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof 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 the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges provided in this Section and Sections 2.06 and 2.10 hereof. All such Bonds shall be in fully registered form in denominations authorized by this Indenture.

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

(f) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the City or the Trustee with respect to any consent or other action to be taken by Owner, 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.

Section 2.08 <u>Bond Registration Books</u>. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions, upon reasonable notice; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as hereinabove provided. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Section 2.09 <u>Temporary Bonds</u>. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits hereunder as definitive Bonds executed and delivered hereunder.

Section 2.10 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, payment date 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. 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 is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Bond authenticated and delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby, and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Section 2.11 <u>No Additional Obligations</u>. The City, the Authority and the Trustee covenant that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

ARTICLE III.

PROCEEDS OF BONDS

Section 3.01 <u>Delivery of Bonds</u>. The Trustee is hereby authorized to authenticate and deliver the Bonds to the Underwriter pursuant to the Bond Purchase Agreement upon receipt of a Written Request of the Authority and upon receipt of the proceeds of sale thereof.

Section 3.02 <u>Deposit of Proceeds of Bonds and Other Moneys</u>. The proceeds received from the sale of the Bonds in the amount of \$______ (consisting of the par amount of the Bonds of \$______, [plus/less original issue premium/discount of \$_____] and less an Underwriter's discount of \$______), shall be transferred for deposit by the Trustee to the following respective funds:

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

(b) The Trustee shall deposit the amount of \$_____ in the Construction

Fund.

To facilitate any transfers to or for the benefit of the City required in this Section 3.02, the Trustee may, in its discretion open a temporary fund or account on its records which shall be closed upon completion of such transfers.

Section 3.03 <u>Construction Fund</u>. The Construction Fund shall be established and maintained by the Trustee to fund Construction Costs, as follows:

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the City on behalf of the Authority (in the form as set forth in Exhibit C hereto) which:

(i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

- (ii) specifies in reasonable detail the nature of the obligation;
- (iii) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with Section 3.04 hereof, the Trustee shall disburse from the Construction Fund, subject to this Section 3.03, such additional amounts as are necessary to pay such Costs of Issuance.

Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, and then the remainder to a separate subaccount within the Principal Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the City to pay principal on the Bonds as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Bonds. Notwithstanding Section 6.09 hereof, the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on the Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the status of interest on Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Section 3.04 <u>Costs of Issuance Fund</u>. There is hereby established in trust a special fund designated as the "Costs of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the City on behalf of the Authority (in the form as set forth in Exhibit C hereto). All

payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of the Bonds, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Revenue Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV.

REDEMPTION OF BONDS

Section 4.01 <u>Terms of Redemption</u>. The Bonds shall be subject to redemption prior to their respective maturity dates as set forth in subsections (a) and (b) hereof.

(a) *Extraordinary Redemption*. To the extent permitted or required by Section 5.03 or 5.04 hereof, the Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the City, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

(b) *Optional Redemption*. The Bonds maturing on or after April 1, 20____ are subject to optional redemption prior to maturity on or after April 1, 20____ at the option of the City, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

(c) *Mandatory Sinking Fund Redemption.* The Bonds maturing on April 1, 20____ and April 1, 20____ (the "Term Bonds") are subject to mandatory redemption on April 1 in each year shown below until maturity, from Mandatory Sinking Account Payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that in lieu of redemption thereof, such Term Bonds may be purchased by the Authority and tendered to the Trustee.

Term Bonds maturing on April 1, 20____

Sinking Fund Redemption Date (April 1) Principal Amount to be Redeemed or Purchased

* Maturity.

Term Bonds maturing on April 1, 20____

Sinking Fund Redemption Date (April 1) Principal Amount to be Redeemed or Purchased

* Maturity.

If some but not all of the Term Bonds of a maturity have been redeemed pursuant to extraordinary or optional redemptions, the total amount of Mandatory Sinking Account Payments to be made for such Term Bonds subsequent to such redemption shall be reduced in an amount equal to the principal amount of such Term Bonds so redeemed by reducing each such future Mandatory Sinking Account Payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by Authority with the Trustee.

Section 4.02 Notice of Redemption. Notice of redemption shall be sent (by first class mail or such other means acceptable to the recipient thereof) by the Trustee, on behalf and at the expense of the City, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee and, unless otherwise instructed by the Authority, provided by the Trustee to the MSRB. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed and date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice of optional redemption shall also state that such redemption may be rescinded by the City and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to this Section, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice sent to such Owner and any defect in the notice so sent shall not affect the sufficiency of the proceedings for redemption.

The City shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent. None of the City, the Authority nor the Trustee will incur any liability, to Bond Owners, DTC, or otherwise, as a result of a rescission of a notice of redemption.

Section 4.03 <u>Partial Redemption of Bonds</u>. Upon surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Bond surrendered.

Whenever less than all the Outstanding Bonds maturing on any one date are called for redemption at any one time, the Trustee shall select the Bonds to be redeemed, from the Outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate.

Section 4.04 <u>Effect of Redemption</u>. If notice of redemption has been duly given as aforesaid and moneys for the payment of the redemption price of the Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee shall, upon surrender for payment of any of the Bonds to be redeemed, pay such Bonds at the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee and shall not be redelivered.

ARTICLE V.

REVENUES

Section 5.01 <u>Pledge of Revenues; Revenue Fund</u>.

(a) There is hereby established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. Within the Revenue Fund, the Trustee shall establish and maintain a separate fund designated the "Interest Fund", a separate fund designated the "Principal Fund" and a separate fund designated the "Redemption Fund." The Authority and the City hereby irrevocably pledge and transfer to the Trustee, for the benefit of the Owners, all of its right, title

and interest in and to all amounts on deposit from time to time in the funds and accounts established hereunder, subject to the provisions hereof permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth herein, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties hereto that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority hereby irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established hereunder and the Revenues in accordance with the terms hereof.

(b) All Revenues shall be paid directly by the City to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues, the proceeds of rental interruption insurance and condemnation awards, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee hereby agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Lease Agreement or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date, Mandatory Sinking Account Payment Date, or redemption date (if one has been designated by the City pursuant to Section 4.01(a) or 4.01(b)), as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose hereunder, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the City, for any other purpose.

Section 5.02 <u>Deposit of Revenues</u>. Except as otherwise provided in this Section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner hereinafter provided in the following respective funds, each of which the Trustee hereby agrees to establish and maintain until all required Revenues are paid in full pursuant to the Lease Agreement or until such date as the Bonds are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses hereinafter authorized.

(a) *Interest Fund*. The Trustee, on each Interest Payment Date, shall transfer from the Revenue Fund to the Interest Fund an amount equal to the interest on the Bonds coming due on such Interest Payment Date. Moneys in each Interest Fund shall be withdrawn and used by the Trustee for the purpose of paying interest on the Bonds as and when due and payable.

(b) **Principal Fund.** The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall transfer from the Revenue Fund to the Principal Fund an amount equal to the principal of the Bonds, including principal due and payable by reason of a Mandatory Sinking Account Payment coming due on such date. Moneys in each Principal Fund shall be withdrawn and used by the Trustee for the purpose of paying principal of the Bonds, including principal due and payable by reason of a Mandatory Sinking Account Payment, as and when due and payable. (c) **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. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be redeemed.

Section 5.03 <u>Application of Insurance Proceeds and Condemnation Awards</u>. The Trustee shall not be responsible for the sufficiency of any insurance required by the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City or the Authority. Delivery to the Trustee of the schedule of insurance policies under the Lease Agreement shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as hereinafter provided, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the City pursuant to Section 6.03 of the Lease Agreement, the City and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with Section 7.01 of the Lease Agreement. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee when deposit is required and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the City on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the City to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be paid to the City. Alternatively, the City, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to Section 4.01(a) hereof; provided, that if the City elects to so redeem the Outstanding Bonds, then the City shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision herein, the City shall only redeem less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being redeemed.

The proceeds of any award in eminent domain shall be transferred by the City to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to Section 4.01(a) hereof.

Section 5.04 <u>**Title Insurance**</u>. Proceeds of any policy of title insurance received by the City, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the City, the Authority or the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased 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 any portion of the Leased Property has been affected by such title defect, and if the City determines that such title defect will result in an abatement of Rental Payments payable by the City under the Lease Agreement, then the City, the Authority or the Trustee, upon written direction of the City, 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 Section 4.01(a) hereof.

ARTICLE VI.

COVENANTS

Section 6.01 <u>Compliance with Indenture</u>. The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions hereof, and neither of the City or the Authority will 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 <u>Compliance with Lease Agreement and Site Lease</u>. The City and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease Agreement and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Lease Agreement and Site Lease against the other party thereto in accordance with their respective terms.

Section 6.03 <u>Observance of Laws and Regulations</u>. The Trustee, the City and the Authority 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 <u>Other Liens</u>. The City will keep the Leased 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, other than Permitted Encumbrances

(with respect to the Leased Property, as such term is defined in the Lease Agreement, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Leased 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 take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, 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 released the City from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the City nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under Section 5.01 hereof.

Section 6.05 <u>Prosecution and Defense of Suits</u>. The City will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Section 6.06 <u>Accounting Records and Statements</u>. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the City or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the City; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Section 6.07 <u>Recordation and Filing</u>. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Lease Agreement, Site Lease, Assignment Agreement and this Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Lease Agreement, Site Lease, Assignment Agreement and this Indenture.

Section 6.08 <u>Further Assurances</u>. Whenever and so often as requested to do so by the Trustee or any Owner, the City and the Authority 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 and the Owners all advantages,

benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them hereby or by the Assignment Agreement, Lease Agreement or Site Lease.

Section 6.09 <u>Tax Covenants; Rebate Fund</u>.

In addition to the accounts created pursuant to Section 5.02, the Trustee (a) shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. The Trustee may rely conclusively upon the City's determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the City's calculations hereunder. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of this Indenture relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account, the application of funds upon an Event of Default and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section 6.09 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

(b) Any funds remaining in the Rebate Fund with respect to the Bonds after redemption and payment of all the Bonds and all other amounts due hereunder or under the Lease Agreement, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses of the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the direction of the Authority.

(c) The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Authority shall observe and not violate the requirements of Sections 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this Section 6.09(c) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Authority shall so instruct the Trustee under this Indenture in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(d) The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

(e) The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(f) Notwithstanding any provisions of this Section 6.09, if the Authority shall provide to the Trustee an Opinion of Counsel that any specified action required under this Section 6.09 or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

Section 6.10 <u>Continuing Disclosure</u>. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner of 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 Section 6.10; *provided*, that the Trustee shall only be required to take an action under this Section 6.10 to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

ARTICLE VII.

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01 <u>Events of Default</u>. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the City in the observance of any of the covenants, agreements or conditions on its part in this Indenture contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City and the Authority by the Trustee, or to the City, the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the City has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the City shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Lease Agreement.

Section 7.02 <u>Action on Default</u>. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of Section 7.11 hereof) shall be entitled, upon notice in writing to the City and the Authority to exercise any of the remedies granted to the City under the Lease Agreement, to the Authority under the Lease Agreement, and in addition, to 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 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 7.03(a), (b) or (c) hereof.

Section 7.03 <u>Other Remedies of the Trustee</u>. 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 City, the Authority or any director, officer or employee thereof, and to compel the City or the Authority or any such 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 default hereunder to require the City and the Authority to account as the trustee of an express trust.

Section 7.04 <u>Non-Waiver</u>. 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 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 or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.05 <u>Remedies Not Exclusive</u>. 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 at 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 7.06 <u>No Liability by the Authority to the Owners</u>. Except as expressly provided herein, the Authority shall have no 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 7.07 <u>No Liability by the City to the Owners</u>. 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 or herein, the City shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues 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 7.08 <u>No Liability by the Trustee to the Owners</u>. 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 City or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Lease Agreement or Site Lease or in this Indenture.

Section 7.09 <u>Application of Amounts After Default</u>. Notwithstanding anything to the contrary contained herein, after a default by the City, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the City pursuant to Section 10.01 of the Lease Agreement, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under Section 10.01 of the Lease Agreement, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:</u>

- and
- (a) to the payment of all amounts due the Trustee under Section 8.03 hereof;

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise 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 due and payable with respect to such Bonds.

Section 7.10 <u>Trustee May Enforce Claims Without Possession of Bonds</u>. 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 of the Bonds in respect of which such judgment has been recovered.

Section 7.11 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 such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds 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; such Owner or Owners 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; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds 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 of Bonds, 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 of Bonds. Nothing in this Indenture contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

ARTICLE VIII.

THE TRUSTEE

Section 8.01 <u>Employment of the Trustee</u>. The City and the Authority hereby appoint and employ the Trustee to receive, deposit and disburse the 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 the 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. 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 person would exercise or use under the circumstances in the conduct of his own affairs.

Section 8.02 Duties, Removal and Resignation of the Trustee. The City and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the City and the Authority and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof. Upon receiving such notice of resignation, the City and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the City and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the City, petition the appropriate court having jurisdiction to appoint a successor Trustee.

Section 8.03 <u>Compensation and Indemnification of the Trustee</u>. 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 advances and expenditures hereunder, including but not limited to payments, advances to and fees and 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; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established hereunder or under Lease Agreement (except that such compensation or reimbursement may be made from the Costs of Issuance Fund held by the City to the extent provided in Section 3.03 hereof or as provided in Section 7.09 hereof). The Trustee may take whatever legal actions are lawfully available to it directly against the City or the Authority.</u>

Except as otherwise expressly provided herein, 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. The City covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 8.04 <u>Protection of the Trustee</u>. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, 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 not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. 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 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 City or the Authority, 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. If requested by the City, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

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

The Trustee shall not be required to take notice or be deemed to have notice of any default or event of default hereunder or an Event of Default under Section 7.01 hereof, except failure of any of the payments to be made to the Trustee required to be made hereunder unless the Trustee shall be specifically notified in writing of such default or Event of Default by the City, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

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 Certificate of the City,

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 to it may seem 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 City or the Authority, 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 default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. 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 or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for herein) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder.

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

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

In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the City and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise specifically provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements herein and in the Bonds shall be taken as statements, covenants and agreements of the City or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

ARTICLE IX.

AMENDMENT OF OR SUPPLEMENT TO INDENTURE

Section 9.01 <u>Amendment or Supplement</u>. The Indenture and the rights and obligations of the City, the Authority, the Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02 hereof, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owners of any amendment hereof or supplement hereto without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend this Section 9.01 without the prior written consent of the Owners of the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the City, the Authority, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed herein by the City or the Authority, or to surrender any right or power reserved herein to or conferred herein on the City or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for removal of a portion of the Leased Property or substitute Leased Property as may be requested from time to time by the City in accordance with the Lease Agreement; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the City or the Authority may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners; or

(d) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners, *provided further* that the City, the Authority

and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (d) have been met with respect to such amendment or supplement.

Section 9.02 <u>Disgualified Bonds</u>. Bonds actually known by the Trustee to be owned or held by or for the account of the City (but excluding Bonds held in any pension or retirement fund of the City) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section.

Section 9.03 <u>Endorsement or Replacement of Bonds After Amendment or</u> <u>Supplement</u>. After the effective date of any action taken as hereinabove provided in this Article IX, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 9.04 <u>Amendment by Mutual Consent</u>. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Section 9.05 <u>Opinion of Counsel</u>. In executing any amendment or supplement hereto, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to this Indenture have been satisfied.

ARTICLE X.

DEFEASANCE

Section 10.01 <u>Discharge of Bonds and Indenture</u>. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated herein and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided herein, and all agreements and covenants of the City, the Authority and the Trustee to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section 10.01 if (i) in case said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to

mail, in accordance with the provisions of Article IV of this Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be redeemed within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV of this Indenture, a notice to the Owners of such Bonds and to the securities depositories and information services specified in clauses (b) and (c) of Section 4.02 hereof that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 10.01(b) and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section 10.01(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; provided that Defeasance Securities deposited with the Trustee pursuant to this Section 10.01(b) may be sold upon the written request of the City and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the City, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this Section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the City, be paid over to the City, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this Section 10.01(b) shall preclude redemptions pursuant to Section 4.01 hereof.

Any release under this Section 10.01(b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under this Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by this Indenture created and the performance of its powers and duties under this Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Article X.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this Section, the Trustee shall execute and deliver to the Authority and the City all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the City all moneys or securities held by it pursuant hereto which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of this Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Lease Agreement, but only from amounts deposited pursuant to Section 10.01(a) hereof and from no other source.

Section 10.02 <u>Unclaimed Moneys</u>. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided, however*, that before being required to make any such payment to the City, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the City within 30 days.

ARTICLE XI.

[RESERVED]

ARTICLE XII.

MISCELLANEOUS

Section 12.01 <u>Benefits of Indenture Limited to Parties</u>. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the City, the Authority, the Trustee and the Owners, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the City or the Authority shall be for the sole and exclusive benefit of the City, the Authority, the Trustee and the Owners.

Section 12.02 <u>Successor Deemed Included in all References to Predecessor</u>. Whenever any of the City, the Authority, 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 City, the Authority, 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 City, the Authority, 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 12.03 <u>Execution of Documents by Owners</u>. 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 Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 hereof.

Any declaration, consent, 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 City, the Authority or the Trustee in good faith and in accordance therewith.

Section 12.04 <u>Waiver of Personal Liability</u>. Notwithstanding anything contained herein to the contrary, no member, officer, employee or agent of the City, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained herein shall relieve any member, officer, employee or agent of the City from the performance of any official duty provided by any applicable provisions of law or by the Lease Agreement, the Site Lease or this Indenture.

Section 12.05 <u>Acquisition of Bonds by City</u>. All Bonds acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 12.06 <u>Content of Certificates</u>. Every Certificate of the City or Authority with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with:

Any Certificate of the City or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the City upon a representation by an officer or officers of the City, unless the counsel executing such Opinion of Counsel knows that

the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 12.07 <u>Reserved</u>.

Section 12.08 <u>Funds</u>. Any fund required to be established and maintained herein by the City or the Trustee may be established and maintained in the accounting records of the City or 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 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 establish such funds and accounts as it deems necessary to perform its obligations hereunder.

The City and the Trustee may commingle any of the moneys held by it hereunder for investment purposes only; *provided, however*, that the City and the Trustee shall account separately for the moneys in each fund or account established pursuant to this Indenture.

Section 12.09 Investments. Any moneys held by the City in the funds and accounts established hereunder shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established hereunder shall be invested by the Trustee upon the written direction of the City only in Permitted Investments. In the absence of such direction, moneys shall be invested by the Trustee solely in Permitted Investments set forth in clause (6) of the definition thereof. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts established hereunder shall be deposited in the Revenue Fund. For purposes of determining the amount on deposit in any fund or account hereunder, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee hereunder.

The City and the Authority acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the Authority the right to receive brokerage confirmations of security transactions as they occur, the City and the Authority specifically waive receipt of such confirmations to the extent permitted by law.

Section 12.10 <u>Partial Invalidity</u>. 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 City, the Authority 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 City, the Authority and the Trustee hereby declare that they would have executed this Indenture, and each and every other Article, Section, paragraph, subdivision, 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, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 12.11 <u>California Law</u>. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 12.12 <u>Notices</u>. (a) All written notices to be given hereunder shall be given by first-class 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 Montclair 5111 Benito Street Montclair, California 91763 Attention: City Manager
If to the Authority:	Montclair Public Financing Authority 5111 Benito Street Montclair, California 91763 Attention: Executive Director
If to the Trustee:	U.S. Bank National Association 633 West 5 th Street, 24 th Floor Los Angeles, California 90071 Attention: Global Corporate Trust

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 acknowledgement or confirmation of receipt of the entire notice, approval, demand, report or other communication, (c) if given by first class or registered or certified mail, return receipt requested, deposited 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 (e) if given by any other means, upon delivery at the address specified in this Section 12.12.

The City shall cause to be given to S&P notice of any substitution of the Trustee, any material change in the Indenture or the Lease Agreement, or redemption or defeasance of all of the Outstanding Bonds.

Section 12.14 <u>Effective Date</u>. This Indenture shall become effective upon its execution and delivery.

Section 12.15 <u>Execution in Counterparts</u>. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed and attested this Indenture by their officers thereunto duly authorized as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:_____Authorized Officer

CITY OF MONTCLAIR

By:_____

City Manager

MONTCLAIR PUBLIC FINANCING AUTHORITY

By:_____

Executive Director

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

All that certain real property, situated in the City of Montclair, State of California, described on the attached pages.

EXHIBIT B-1

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT 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.

UNITED STATES OF AMERICA STATE OF CALIFORNIA

No. R-___

\$_____

MONTCLAIR PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2021A

Interest Rate	Maturity Date	Dated	<u>CUSIP</u>
%	April 1, 20	, 2021	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM:

The MONTCLAIR PUBLIC FINANCING AUTHORITY, a joint powers authority, duly created and lawfully existing under the Constitution and laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues, as hereinafter defined) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the Interest Payment Date (as defined below) to which interest has been paid or duly provided for next preceding its date of execution, unless such date of authentication shall be (i) prior to the close of business on March 15, 2022, in which case such Bond shall bear interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Bond shall bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Bond shall bear interest from such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest shall be in default, each Bond shall bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. The term "Interest Payment Date" means April 1 and October 1 or each year, commencing April 1, 2022. The term "Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

The principal of this Bond shall be payable in lawful money of the United States of America at the corporate trust office of St. Paul, Minnesota, as trustee (the "Trustee") upon presentation and surrender of this Bond.

Payment of interest on this Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Bond is registered, as of the Record Date preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books. Interest on this Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360 day year consisting of twelve 30 day months. This Bond shall not be entitled to any benefit, protection or security under the Indenture, as hereinafter defined, or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

The Owner of \$1,000,000 or more in aggregate principal amount of the Bonds may request in writing that the Trustee pay the interest on such Bonds by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A" (the "Bonds"), in the aggregate principal amount §______ all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of an Indenture, dated as of ______ 1, 2021 (the "Indenture"), among the Trustee, the City of Montclair (the "City") and the Authority (copies of which are on file at the corporate trust office of the Trustee). Unless the context otherwise requires, capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the City pursuant to a Lease Agreement, dated as of ______ 1, 2021 (the "Lease Agreement"), between the Authority, as lessor, and the City, as lessee, for the use and possession of the Leased Property as long as the City has such use and possession of the Leased Property, as well as from all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority, as assignee of the City's rights under the Lease Agreement, from operation or use of the Leased Property (the "Revenues"). All the Bonds are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture, subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

The obligation of the City to pay Base Rental Payments does not constitute an indebtedness of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay 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. The obligation of the City to make the Base Rental Payments is subject

to abatement during any period in which, by reason of material damage, destruction or title defect, there is substantial interference with the use and occupancy of the Leased Property or portions thereof or if the Leased Property or portions thereof are taken under the power of eminent domain, all as more particularly provided in the Lease Agreement to which reference is hereby made.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended or supplemented by the parties thereto, in some instances without the consent of the registered owners of Bonds. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the registered owner of each Bond so affected, or (2) reduce the percentage of registered owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the amendment provisions of the Indenture without the prior written consent of the registered owners of all Bonds then Outstanding.

The Bonds are authorized to be executed and delivered in the form of fully registered Bonds without coupons, in denominations of five thousand dollars (\$5,000) or any integral multiple thereof (each, an "Authorized Denomination").

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Trustee in Montclair, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture; and upon surrender of this Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer, a new Bond or Bonds of Authorized Denominations of the same Principal Payment Date equal to the principal amount hereof will be executed and delivered by the Trustee to the Owner thereof in exchange or transfer herefor. The Trustee shall not be required to transfer or exchange any Bond during any period in which it is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on this Bond shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability on this Bond to the extent of the sum or sums so paid.

The Bonds are subject to redemption prior to maturity as described in the Indenture.

As provided in the Indenture, notice of redemption hereof or of any part hereof shall be mailed, first class postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the Owner of this Bond at his or her address as it appears in the registration books maintained by the Trustee and as specified in the Indenture, but neither failure to receive any such notice nor any defect contained therein shall affect the validity of the proceedings for the redemption of this Bond. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, the interest represented hereby shall cease to accrue from and after the designated redemption date.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of the interest or principal or redemption premiums, if any, on the Bonds; but rather the Trustee's sole obligation is to administer, for the benefit of the City, the Authority and the registered owners of the Bonds, the various funds established under the Indenture. The Authority has no obligation or liability whatsoever to the registered owners of the Bonds.

The Indenture provides that the occurrences of certain events constitute Events of Default. Subject to certain limitations and to the rights of the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee.

IN WITNESS WHEREOF, the Montclair Public Financing Authority has caused this Bond to be executed manually by its Chair and by its Secretary all as of ______, 2021.

MONTCLAIR PUBLIC FINANCING AUTHORITY

Secretary

Chair

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within mentioned Indenture which has been authenticated and registered.

Dated: _____, 2021

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ______Authorized Officer

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto ______ the within Bond and do(es) hereby irrevocably constitute and appoint ______ attorney to transfer such Bond on the register of the Trustee, with full power of substitution in the premises.

Dated:_____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee:

EXHIBIT C

FORM OF REQUISITION FOR FUNDS FROM THE [CONSTRUCTION FUND][COSTS OF ISSUANCE FUND]

The City of Montclair, a general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), hereby states and certifies:

> that the undersigned is the duly appointed, qualified and acting (a) of the City, and as such, is authorized and qualified to certify the same;

that, pursuant the Indenture, dated as of _____1, 2021 (the (b) "Indenture"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the City and the Montclair Public Financing Authority, the Trustee is hereby requested to disburse from the [Construction Fund][Costs of Issuance Fund] established pursuant to Section [3.03][3.04] of the Indenture, to the payees set forth on Exhibit A attached hereto and by this reference incorporated herein, the amount set forth on Exhibit A opposite each such payee, for payment of such costs incurred for the purposes identified on said Exhibit A;

that each obligation has been property incurred and is a proper charge (c) against the [Construction Fund][Costs of Issuance Fund] and has not been the basis of any previous disbursement: and

(d) that a statement or invoice for each amount requested hereunder is attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this requisition as of the date set forth below.

Dated:

CITY OF MONTCLAIR

By: ______Authorized City Officer

EXHIBIT A

Payee

Purpose

Amount

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

BOND PURCHASE AGREEMENT

_____, 2021

Montclair Public Financing Authority 5111 Benito Street Montclair, California 91763

City of Montclair 5111 Benito Street Montclair, California 91763

Ladies and Gentlemen:

Hilltop Securities Inc. (the "**Underwriter**"), hereby offers to enter into this Bond Purchase Agreement with you, the City of Montclair (the "**City**") and the Montclair Public 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) finance various public infrastructure projects of benefit to the City, and (ii) 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 ______, 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 _____ 1, 2021 (the "**Indenture**"), between the Authority 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 _____ 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 as are consented to in writing by the Authority, the City, the Underwriter or its legal counsel in accordance with the provisions of Sections 6(j) and 7(j) hereof or otherwise consented to by the Underwriter pursuant to Section 10(b)(v), 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 _____, 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 Nixon Peabody LLP, Los Angeles, 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 Site Lease, dated as of _____1, 2021 (the "**Site Lease**"), between the City and the Authority, the Official Statement, 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.

To the best of the knowledge of the City, there is, and on the Closing there will (e) 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'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 in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred 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. (1) The City covenants that it will comply with all tax covenants relating to it in the City Documents and the Tax Certificate.

(m) 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.

(n) 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.

(o) 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, 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.

(p) 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.

(q) 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.

(r) The Leased Property is an essential asset of the City.

(s) As of the time of acceptance hereof and as of the Closing, the value of the Leased Property is not less than the initial aggregate principal amount of the Bonds.

(t) 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 Site Lease, and the Assignment Agreement, dated as of ______ 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 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

(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.

Underwriter.

(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 and will not effect or consent to any such amendment or supplement without prior consultation with the Underwriter. 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 and Underwriter's 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 forthwith cause the City to prepare and furnish to the Underwriter a reasonable number of copies of an amendment of, or supplement to, the Official Statement (in form and substance satisfactory to Underwriter's Counsel) 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 the requirements for establishing issue price of the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the requirements for establishing issue price 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.

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

"public" means any person other than an underwriter or 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) <u>Bring-Down Representation</u>. 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) <u>Executed Agreements and Performance Thereunder</u>. 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) <u>No Default</u>. 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) <u>Termination Events</u>. 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, 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

(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

State authorities: 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) there shall have occurred any materially adverse change in the affairs or financial condition of the Authority or the City; or

(xiv) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xv) 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

(xvi) 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) <u>Closing Documents</u>. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) <u>Bond Opinion</u>. The approving opinions of Bond Counsel dated the date of Closing and substantially in the forms included as APPENDIX D to the Official Statement and a reliance letter(s) thereon dated the date of Closing addressed to the Underwriter and the Trustee.

(2) <u>Supplemental Opinion</u>. A supplemental opinion of Bond Counsel dated the date of Closing, addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "2021 BONDS," "LEASED PROPERTY," "SECURITY FOR 2021 BONDS," and "CONCLUDING MATTERS – Tax Matters," and in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" and "APPENDIX D –FORM OF OPINION OF BOND COUNSEL," excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Bonds, the Lease, the Site Lease, the Indenture, and Bond Counsel's final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the date of Closing; provided, that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to DTC or the book-entry system in which the Bonds are initially delivered;

(B) The Lease, the Site Lease, the Assignment Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement have been duly authorized, executed and delivered by the City and the Authority, as applicable, and are valid, legal and binding agreements of the City and the Authority enforceable in accordance with their terms, except that the rights and obligations under the Lease, the Site Lease, the Assignment Agreement, the Continuing Disclosure Certificate and this Bond Purchase Agreement 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, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

Negative Assurance Letter of Disclosure Counsel. A letter of Richards, (3)Watson & Gershon A Professional Corporation, Disclosure Counsel to the Authority, dated the date of Closing and addressed to the Authority 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 Bond 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) <u>Municipal Advisor Certificate</u>. A certificate of Urban Futures, Inc. ("**Urban Futures**"), dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) Urban Futures 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) <u>Opinion of City Attorney</u>. 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) 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) <u>Authority Counsel Opinion</u>. 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) 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) <u>Underwriter's Counsel Opinion</u>. 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) <u>City Certificate</u>. 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) <u>Authority Certificate</u>. 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) <u>Trustee Certificate.</u> A certificate of the Trustee, dated the Closing Date, in form and substance acceptable to the Authority, Bond Counsel, the Underwriter and Underwriter's Counsel.

(11) <u>Trustee Incumbency Certificate.</u> A certified copy of a certificate of an officer of the Trustee certifying as to the incumbency, signature and signing authority of the officers who have executed and delivered the Indenture and agreed to accept the duties of Trustee under the Indenture.

(12) <u>Trustee Counsel's Opinion</u>. An opinion, dated the date of the Closing addressed to the Authority, the City and the Underwriter, of the Trustee's Counsel, in form and content satisfactory to the Authority, Bond Counsel, the Underwriter and Underwriter's Counsel.

(13) <u>Title Policy</u>. 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) <u>Transcripts</u>. Two CD transcripts of the proceedings prepared by Bond Counsel relating to the authorization and issuance of the Bonds will be delivered in due course after the Closing.

(15) <u>Official Statement</u>. 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) <u>Documents</u>. 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 Montclair Housing Authority and any amendments thereto.

(17) <u>City Resolution</u>. 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) <u>Authority Resolution</u>. 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) <u>IRS Form 8038-G</u>. Evidence that the federal tax information form 8038 G has been prepared for filing.

Counsel.

(20) <u>Tax Certificate</u>. A Tax Certificate in a form satisfactory to Bond

(21) <u>Rating</u>. 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) <u>CDIAC Statement</u>. 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) <u>Additional Documents</u>. 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 Hilltop Securities Inc., 2533 S. Coast Highway 101, Suite 250, Cardiff by the Sea, California 92007, Attention: Ms. Robin M. Thomas. 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 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.

HILLTOP SECURITIES INC.

By: _____ Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

MONTCLAIR PUBLIC FINANCING AUTHORITY

By:_____

Title:_____

Time of Execution: ______ p.m. California time

CITY OF MONTCLAIR

By:_____

Title:_____

Time of Execution: ______ p.m. California time

[EXECUTION PAGE OF BOND PURCHASE AGREEMENT – MONTCLAIR PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2021A]

EXHIBIT A

MATURITY SCHEDULE

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

MATURITY SCHEDULE

Subject to

_	Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied [*]	10% Test Not Satisfied	Hold-The- Offering- Price Rule (marked if used)
	2022							
	2023							
	2024							
	2025							
	2026							
	2027							
	2028							
	2029							
	2030							
	2031							
	20 ^(T)							

^(T) Term Bond.

*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

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

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Hilltop Securities Inc. ("Hilltop") 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 Montclair Public 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 Hilltop'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 Nixon Peabody LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

HILLTOP SECURITIES INC.

By:		
•		

Name:_____

Dated: _____, 2021

Signature Page to Issue Price Certificate Montclair Public Financing Authority Lease Revenue Bonds, Series 2021A

SCHEDULE A

SALE PRICES

(to be attached)

RWG DRAFT: 9/10/2021

NEW ISSUE – BOOK ENTRY ONLY

Rating: S&P: "_

See "CONCLUDING MATTERS – Rating."

2021

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel, is also of the opinion that interest on the 2021 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California ("State") under present law. See "CONCLUDING MATTERS – Tax Matters" regarding certain other tax consequences.

\$45,000,000* MONTCLAIR PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS SERIES 2021A

Dated: Date of Delivery

Due: April 1, as shown on the inside front cover

The Montclair Public Financing Authority (the "Authority") will issue its Lease Revenue Bonds, Series 2021A (the "2021 Bonds") pursuant to an Indenture, dated as of [October] 1, 2021 (the "Indenture"), by and among the Authority, the City of Montclair (the "City"), and U.S. Bank National Association, as trustee (the "Trustee"). Proceeds from the sale of the 2021 Bonds will be used to: (i) finance various public infrastructure projects, and (ii) pay costs of issuance of the 2021 Bonds.

The 2021 Bonds will be payable from Revenues, which will primarily consist of "Base Rental Payments" to be made by the City pursuant to a Lease Agreement, dated as of [October] 1, 2021 (the "Lease Agreement"), by and between the Authority and the City, as rental payments for certain real property as described in this Official Statement (the "Leased Property"). As more fully described herein, the Base Rental Payments will be payable from funds legally available to the City (subject to abatement under certain circumstances described in the Lease Agreement). See "LEASED PROPERTY" and "SECURITY FOR 2021 BONDS."

The 2021 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2021 Bonds. Individual purchases of the 2021 Bonds may be made in book-entry form only, in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the 2021 Bonds purchased. Principal of and interest on the 2021 Bonds will be paid directly to DTC by the Trustee. Principal of the 2021 Bonds will be payable on the maturity dates set forth on the inside cover of this Official Statement. Interest on the 2021 Bonds will be payable on April 1 and October 1 of each year, commencing [April 1, 2022]. Upon its receipt of payment of principal and interest, DTC in turn will be obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the 2021 Bonds.

The 2021 Bonds will be subject to optional redemption and mandatory sinking fund redemption as described in this Official Statement.* The 2021 Bonds will be subject to extraordinary redemption prior to maturity from certain insurance or condemnation proceeds as described in this Official Statement.

THE 2021 BONDS WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT WILL NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION OR FULL FAITH AND CREDIT. NEITHER THE 2021 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY, STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

See the section of this Official Statement entitled "BONDOWNERS' RISKS" for a discussion of certain of the risk factors that should be considered, in addition to other matters set forth in the Official Statement, in evaluating the investment quality of the 2021 Bonds. This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

* Preliminary; subject to change. M5900-1002\2551281v5.doc The 2021 Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Nixon Peabody LLP, Bond Counsel. Richards, Watson & Gershon, A Professional Corporation, serves as Disclosure Counsel to the Authority and the City in connection with the issuance of the 2021 Bonds. Certain legal matters will also be passed upon for the City and the Authority by Robbins & Holdaway, serving as City Attorney and Authority Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP. It is anticipated that the 2021 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about October 27, 2021.



Dated: _____, 2021.

\$45,000,000* MONTCLAIR PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS SERIES 2021A

MATURITY SCHEDULE

Maturity Date (April 1)	Principal Amount*	Interest Rate	Yield [†]	Pric	еŤ	CUSIP (Base:	††)
		Mute			<u> </u>	(Duse:	
2022	\$ 230,000						
2023	875,000						
2024	905,000						
2025	930,000						
2026	960,000						
2027	985,000						
2028	1,025,000						
2029	1,065,000						
2030	1,110,000						
2031	1,155,000						
2032	1,200,000						
2033	1,250,000						
2034	1,300,000						
2035	1,350,000						
2036	1,405,000						
\$7,915,000*	_% Term Bond due	April 1, 2041, Y	ield [†] %.	Price [†] :	; CUSIP††:		
	% Term Bond due	•					
	% Term Bond du	•					

* Preliminary; subject to change.

[†] Reoffering price/yields furnished by the Underwriter. The Authority and the City take no responsibility for the accuracy thereof.

^{††} CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP alphanumeric designations ("CUSIP Numbers") are assigned by an independent company not affiliated with the Authority, the City or the Underwriter. CUSIP © 2021 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP Numbers are provided for convenience of reference only. None of the Authority, the City nor the Underwriter takes any responsibility for the accuracy of such numbers. The CUSIP Number for any particular maturity is subject to change after delivery of the 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors applicable to all or a portion of the 2021 Bonds.

MONTCLAIR PUBLIC FINANCING AUTHORITY CITY OF MONTCLAIR

San Bernardino County, California

Authority Board/City Council

Javier J. Dutrey, *Chair/Mayor* William Ruh, *Vice Chair/Mayor Pro Tem* Carolyn Johnson, *Director/Council Member* Benjamin Lopez, *Director/Council Member* Corysa Martinez, *Director/Council Member*

AUTHORITY/CITY STAFF

Edward C. Starr, *Authority Executive Director/City Manager* Janet Kulbeck, *Finance Manager* Andrea Myrick, *Authority Secretary/City Clerk*

Diane E. Robbins (Robbins & Holdaway), Authority General Counsel/City Attorney

SPECIAL SERVICES

Bond Counsel

Nixon Peabody LLP Los Angeles, California

Disclosure Counsel

Richards, Watson & Gershon, A Professional Corporation Los Angeles, California

Municipal Advisor

Urban Futures, Inc. Tustin, California

Trustee

U.S. Bank National Association Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

<u>Use of Official Statement</u>. This Official Statement is submitted in connection with the offer and sale of the 2021 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2021 Bonds.

Estimates and Forecasts. Certain statements included or incorporated by reference in this Official Statement and in any continuing disclosure by the City or the Authority, any press release and in any oral statement made with the approval of an authorized officer of the City, the Authority or any other entity described or referenced in this Official Statement, constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "anticipate," "estimate," "budget" or other similar words and include, but are not limited to, statements under the captions "PLAN OF FINANCING," "CITY," "CITY FINANCIAL INFORMATION" and "CITY PENSION AND OPEB PLANS." The achievement of certain results or other expectations contained in such forward-looking statements involves 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. While the City has undertaken to provide certain on-going financial and other data pursuant to a continuing disclosure certificate (see "CONCLUDING MATTERS – Continuing Disclosure" and APPENDIX E), the City and the Authority do not plan to issue any updates or revisions to those forward-looking statements if or when there are changes to their expectations or events, conditions or circumstances on which such statements are based.

<u>Preparation of this Official Statement</u>. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. Hilltop Securities Inc. (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.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the 2021 Bonds 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 City, the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

<u>Information as of Dated Date of Official Statement</u>. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made of the 2021 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the Authority or any other entity described or referenced in this Official Statement since the dated date shown on the front cover. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

<u>Stabilization of Prices</u>. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2021 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 2021 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover and such public offering prices may be changed from time to time by the Underwriter.

<u>No Incorporation of Websites</u>. References to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including, but not limited to, the content of the City's website) is incorporated by reference. None of the Authority, the City nor the Underwriter makes no representation regarding the accuracy or completeness of information presented on such websites.

THE 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2021 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

[insert map]

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\$45,000,000* MONTCLAIR PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS SERIES 2021A

INTRODUCTION

This Introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to for more complete information with respect to matters concerning the 2021 Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used but not defined in the forepart of this Official Statement have the meanings set forth in the Indenture. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

General

This Official Statement, including the cover page, the inside front cover and appendices, is provided to furnish information in connection with the sale by the Montclair Public Financing Authority of its Lease Revenue Bonds, Series 2021A (the "2021 Bonds"), in the aggregate principal amount of \$45,000,000*. The 2021 Bonds will be issued pursuant to: (i) the Mark-Roos Local Bond Pooling Act of 1954 set forth in Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing with Section 6584 (the "Bond Law"), (ii) a Resolution adopted by the City Council of the City (the "City Council") on September 20, 2021 (the "City Resolution"), (iii) a Resolution adopted by the governing board of the Authority on September 20, 2021 (the "Authority Resolution," and together with the City Resolution, the "Authorizing Resolutions"), and (iv) the Indenture, dated as of October 1, 2021 (the "Indenture"), by and among the Authority, the City and U.S. Bank National Association, as trustee (the "Trustee").

Interest on the 2021 Bonds will be payable semiannually on April 1 and October 1 of each year, commencing April 1, 2022]. The 2021 Bonds will mature in the amounts and on the dates and bear interest at the rates shown on the inside front cover of this Official Statement.

The 2021 Bonds will be subject to optional redemption and mandatory sinking fund redemption prior to maturity as described in this Official Statement.* The 2021 Bonds will also be subject to extraordinary redemption prior to maturity from certain insurance or condemnation proceeds as described in this Official Statement. See "2021 BONDS – Redemption."

The 2021 Bonds will be initially delivered as one fully registered certificate for each maturity (unless there are different interest rates within such maturity, then one certificate for each interest rate within such maturity) and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository for the 2021 Bonds and all payments due on the 2021 Bonds will be made to Cede & Co. Ownership interests in the 2021 Bonds may be purchased only in book-entry form. So long as the Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this

^{*} Preliminary; subject to change.

Official Statement to the registered owners, or "Owners" of the 2021 Bonds shall mean Cede & Co. or such other nominee of DTC and shall not mean the beneficial owners of the 2021 Bonds. See "2021 BONDS – Book-Entry Only System" and "APPENDIX F – DTC'S BOOK-ENTRY ONLY SYSTEM."

Security and Payment for 2021 Bonds

The 2021 Bonds will be limited obligations of the Authority secured solely by the pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power. The obligation of the City to make Base Rental Payments under the Lease Agreement will not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation or full faith and credit. Neither the 2021 Bonds nor the obligation of the City to make Base Rental Payments under the Lease Agreement constitutes an indebtedness of the City, State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Pledge of Revenues under Indenture; Assignment Agreement

The 2021 Bonds will be payable solely from and secured by a pledge of Revenues (defined below, see "SECURITY FOR 2021 BONDS") and moneys in certain funds and accounts held under the Indenture. Revenues will consist primarily of certain rental payments (the "Base Rental Payments") made by the City to the Authority pursuant to a Lease Agreement, dated as of October 1, 2021 (the "Lease Agreement"), by and between the Authority and the City as rental for certain real property (the "Leased Property").

Pursuant to an Assignment Agreement, dated as of October 1, 2021 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority will assign to the Trustee for the benefit of the Owners of the 2021 Bonds, certain of its rights under the Lease Agreement, including its rights to receive the Base Rental Payments for the purpose of securing the payment of debt service on the 2021 Bonds.

No debt service reserve fund for the 2021 Bonds will be established under the Indenture.

The City will covenant under the Lease Agreement to take such action as necessary to include the Base Rental Payments and Additional Payments (as defined in the Lease Agreement and subject to the terms of the Lease Agreement; consisting of fees, costs and expenses of the Authority incurred in connection with the 2021 Bonds and the Leased Property, including compensation to Trustee and other consultants engaged by the Authority) in its annual budgets and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement).

See "SECURITY FOR 2021 BONDS" and "BONDOWNERS' RISKS."

Anticipated Use of Measure L Revenues for Base Rental Payments

In the election held on November 3, 2020, Measure L - a measure to increase the sales tax in the City from 8.0 percent to 9.0 percent to fund general community needs – was passed with the approval of over 68 percent of the votes cast. Collection of revenues from Measure L ("Measure L Revenues") began in April 2021. In April through June 2021, the City received approximately \$2.436

million in Measure L Revenues. As the economy continues to re-open, the City projects that Measure L will generate approximately \$9.5 million in fiscal year 2021-22.

The use of Measure L Revenue is not restricted for a specific purpose or project. Under State law, Measure L Revenues are part of the City's General Fund. As part of its fiscal year 2021-22 budget, the City Council approved the use of Measure L Revenues for upcoming payments related to the 2021 Bonds (*i.e.*, the Base Rental Payments and Additional Payments). The City currently anticipates that it will continue to use Measure L Revenues for the Base Rental Payments throughout the term of the 2021 Bonds.

Even though the City intends to use Measure L Revenues for the payments related to the 2021 Bonds, Measure L Revenues are not pledged for the security of the Base Rental Payments, or any other payments related to the 2021 Bonds. Measure L Revenues are part of the General Fund. The use of Measure L Revenues (and not other available General Fund moneys) for the Base Rental Payments is based on the City's discretionary decision. In the future, at any time, the City may elect to use other General Fund revenue source or sources for to pay Base Rental Payments. As stated above, the City's obligation to make Base Rental Payments under the Lease Agreement will not constitute an obligation for which the City is obligated to levy or pledge any form of taxation.

City

The City is located at the western end of San Bernardino County (the "County"), California, approximately 35 miles to the east of downtown Los Angeles and 30 miles west of the San Bernardino Civic Center. The western boundary of the City is contiguous with the Los Angeles County line. The City was incorporated in April 1956 as a general law city and operates under a Council-Manager form of government. The five members of the City Council, including the Mayor, are elected at large. As of January 1, 2021, the City has a population of approximately 39,598, according to State Department of Finance estimates. See "CITY," "CITY FINANCIAL INFORMATION" and "APPENDIX A – SUPPLEMENTAL INFORMATION ABOUT CITY OF MONTCLAIR."

COVID-19 Pandemic

A coronavirus disease, known as COVID-19 ("COVID-19"), is an infectious disease caused by a novel strain of the coronavirus known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in China in late 2019, and then spread around the globe. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. On March 13, 2020, President Trump declared a national state of emergency. In California, Governor Newsome declared a state of emergency on March 4, 2020. The County and the City have also declared local emergencies. In the State (including in the City and County), other parts of the United States and many nations, protective measures (including mandatory and voluntary closing or partial closing of non-essential businesses and public venues, and imposition of social distancing measures, limitation of social gatherings of certain sizes) were imposed. The pandemic caused major disruptions in the economy, at the local, state, national and international levels.

In May 2020, in consideration of the projected negative economic impact, the City Council adopted Resolution No. 20-3267, declaring a state of fiscal urgency (which was expressly distinguished from a state of fiscal emergency). Resolution No. 20-3267, directed the City Manager to take strategic measures to reduce or avoid successive budgetary deficits, which measures may

include, among other actions, enact reductions in personnel, identify alternatives for revenue enhancement and evaluate the issuance of pension obligation bonds. During fiscal year 2020-21, the City implemented a number of such measures. Measure L (see "-Security and Payment for 2021 Bonds" above) was put on the ballot in the November 3, 2020 election and passed with the approval of over 68 percent of the votes cast. Based on current Transactions and Use Tax earnings as of June 30, 2021, the City projects that Measure L will generate approximately \$9.5 million in additional revenue for Fiscal year 2021-22. The City anticipates the issuance of pension obligation bonds in October, 2021, to refund current unamortized, unfunded accrued liability with respect to its pension plans. At the end of fiscal year 2020-21, the City was able to maintain the General Fund unassigned reserve at approximately \$5.8 million. The City's fiscal year 2021-22 budget, as adopted by the City Council in June 2021, showed that the City projected an \$8 million General Fund unassigned reserve by the end of fiscal year 2021-22. See further discussion under "CITY FINANCIAL INFORMATION – COVID-19 Disruption; City Proactive Measures."

By the end of first quarter of 2021, United States Food and Drug Administration (FDA) has approved the emergency use of several different COVID-19 vaccines. Vaccine administration is ongoing in many places, including the State. As a result of then declining cases, on June 15, 2021, various State-mandated COVID-19 public health restrictions – such as mask requirements and capacity restrictions – were lifted, albeit certain restrictions are still in place for "mega-events" (indoor events with 5,000 or more people or outdoor events with 10,000 or more people) and, also, counties, cities and businesses may choose to impose rules that are more restrictive than the State requirements. In any event, the trends continued to vary in different countries. Several COVID-19 variants of concerns have emerged. It is unknown how long the pandemic will continue to affect the global economy and individuals' daily lives. As economies re-open, it is unknown if there will be lingering effects from the changes that have been brought by the pandemic. The City will continue to monitor the situation closely and make adjustments.

On March 11, 2021, United States President Biden signed into law the American Rescue Plan Act of 2021 ("ARPA"), a \$1.9 trillion federal stimulus bill to support the nation's relief and economic recovery. ARPA includes a total of \$350 billion to help state, local and tribal governments. The City currently expects to be allocated approximately \$9.5 million from ARPA, to be received in two tranches during 2021 and 2022. The use of such moneys will be limited for the purposes and within the timeline permitted by ARPA.

See "CITY FINANCIAL INFORMATION" and "BONDOWNERS' RISKS – Effects from COVID-19 Pandemic."

Continuing Disclosure

In connection with the sale of the 2021 Bonds, the City will execute a Continuing Disclosure Certificate, covenanting to prepare and deliver an annual report and certain other information to the Municipal Securities Rulemaking Board ("MSRB"), via its Electronic Municipal Market Access ("EMMA") system. See "CONCLUDING MATTERS – Continuing Disclosure" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Other Information

This Official Statement contains brief descriptions of the 2021 Bonds, the Indenture, the Site Lease, the Lease Agreement, the Assignment Agreement and various other documents and legislation. The descriptions and summaries do not purport to be comprehensive or definitive, and reference is made to each such document or law for the complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each such document and legislation and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms that are used but not defined in this Official Statement shall have the meanings set forth in the Indenture.

This Official Statement speaks only as of its date as set forth on the cover, and the information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made with respect to the 2021 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date of this Official Statement.

Unless otherwise expressly noted, references to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including the City's website) is incorporated by reference. Each of the Authority, the City and the Underwriter makes no representation to potential investors of the 2021 Bonds regarding the accuracy or completeness of the information presented on such websites.

PLAN OF FINANCING

Financing of Public Infrastructure Projects

Proceeds from the sale of the 2021 Bonds are currently expected to finance all or a portion of the following projects:

- pavement/median rehabilitation
- construction or rehabilitation to create safe routes to schools
- traffic calming projects and other systematic traffic and roadway improvements
- park development and improvements
- city facilities and grounds improvements
- Central Avenue bridge replacement and rehabilitation
- Montclair Transcenter improvements
- reclaimed water pipe extension to North Montclair
- design and engineering and construction of improvements for roadways and pedestrian paths and utilities in North Montclair

• other critical infrastructure projects

The above list represents the City's current expectations only. Subject to compliance with the Indenture and the Lease Agreement, the actual projects to be funded may differ from those listed above. None of the projects financed with proceeds of the 2021 Bonds will constitute security for the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds are anticipated to be applied as follows:

<u>Sources</u>	
Principal amount	\$ *
[Plus/Less]: Original Issue [Premium/Discount]	
Total Sources	
<u>Uses</u>	
Construction Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	

(1) Includes underwriter's discount, fees of rating agency, Bond Counsel, Disclosure Counsel, Trustee, Municipal Advisor, costs of posting and printing this Official Statement, and other costs of issuance.

2021 BONDS

Description

The 2021 Bonds will be issued in fully registered form, and will bear interest at the rates, and mature on April 1 in the years and in the amounts all as set forth on the inside front cover of this Official Statement. The 2021 Bonds will be issued in integral multiples of \$5,000 and will be dated their date of delivery.

Interest on the 2021 Bonds will be payable semiannually on April 1 and October 1 of each year, commencing [April 1, 2022] (each, an "Interest Payment Date"), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication will be: (i) prior to the close of business on March 15, 2022, in which case such 2021 Bond will bear interest from its date of delivery, (ii) subsequent to the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date") but before the related Interest Payment Date, in which case such 2021 Bond will bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such 2021 Bond will bear interest from such date of authentication. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest is in default, each

^{*} Preliminary; subject to change.

2021 Bond will bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

The 2021 Bonds will be initially delivered as one fully registered certificate for each maturity (unless the 2021 Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and will be delivered by means of the book-entry system of DTC. While the 2021 Bonds are held in DTC's book-entry only system, all such payments will be made to Cede & Co., as the registered owner of the 2021 Bonds. See "Book-Entry-Only System" below.

Redemption

<u>Extraordinary Redemption</u>. To the extent permitted or required by the Indenture (see "SECURITY FOR 2021 BONDS – Use of Net Proceeds in Event of Damage, Destruction, Title Defect and Condemnation"), the 2021 Bonds will be subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the City to the Trustee, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

<u>Optional Redemption</u>.* The 2021 Bonds maturing on or after April 1, 2032, will be subject to optional redemption prior to maturity on or after April 1, 2031, at the option of the City, in whole, or in part, on any date, at a redemption price equal to the principal amount of the 2021 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

<u>Mandatory Sinking Fund Redemption</u>.* The Bonds maturing on April 1, 2041, April 1, 2046 and April 1, 2051 (the "Term Bonds") will be subject to mandatory redemption on April 1 in each year shown below until maturity, from Mandatory Sinking Account Payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that in lieu of redemption thereof, such Term Bonds may be purchased by the Authority and tendered to the Trustee; provided, further, if some but not all of the Term Bonds of a maturity have been redeemed pursuant to extraordinary or optional redemptions, the total amount of Mandatory Sinking Account Payments to be made for such Term Bonds subsequent to such redemption will be reduced in an amount equal to the principal amount of such Term Bonds so redeemed by reducing each such future Mandatory Sinking Account Payments on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by Authority with the Trustee.

^{*} Preliminary; subject to change.

Redemption Date* (April 1)	Principal Amount to be Redeemed*
2037	\$1,460,000
2038	1,520,000
2039	1,580,000
2040	1,645,000
2041^{\dagger}	1,710,000

Term Bonds Maturing on April 1, 2041*

† maturity.

Term Bonds Maturing on April 1, 2046*					
Redemption Date*	Principal Amount				
(April 1)	to be Redeemed*				
2042	\$1,775,000				
2043	1,850,000				
2044	1,920,000				
2045	2,000,000				
2046^{\dagger}	2,080,000				

[†] maturity.

Term Bonds	Maturing o	on April 1,	2051*
	-	-	

Redemption Date* (April 1)	Principal Amount to be Redeemed*
2047	\$2,165,000
2048	2,250,000
2049	2,340,000
2050	2,430,000
2051^{\dagger}	2,530,000

† maturity.

If some but not all of the Term Bonds of a maturity have been redeemed pursuant to extraordinary or optional redemptions, the total amount of Mandatory Sinking Account Payments to be made for such Term Bonds subsequent to such redemption shall be reduced in an amount equal to the principal amount of such Term Bonds so redeemed by reducing each such future Mandatory Sinking Account Payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by Authority with the Trustee.

<u>Notice of Redemption</u>. Notice of redemption will be sent (by first class mail or such other means acceptable to the recipient thereof) by the Trustee, on behalf and at the expense of the City, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee and, unless otherwise instructed by the Authority, provided by the Trustee to the MSRB. Notwithstanding the foregoing, failure by the Trustee to give notice of redemption pursuant to the Indenture to any one or more of the information services or securities depositories, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice sent to such Owner and any defect in the notice so sent will not affect the sufficiency of the proceedings for redemption.

<u>Right to Rescind Notice of Optional Redemption</u>. The City will have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee will send notice of such rescission of redemption in the same manner as the original notice of redemption was sent. None of the City, the Authority nor the Trustee will incur any liability, to Bond Owners, DTC, or otherwise, as a result of a rescission of a notice of redemption.

<u>Selection of 2021 Bonds for Redemption</u>. Whenever less than all the Outstanding 2021 Bonds maturing on any one date are called for redemption at any one time, the Trustee will select the 2021 Bonds to be redeemed, from the Outstanding 2021 Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee will deem appropriate.

<u>Effect of Redemption</u>. If notice of redemption has been duly given and moneys for the payment of the redemption price of the 2021 Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the 2021 Bonds so called for redemption shall become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, such 2021 Bonds will cease to be entitled to any benefit or security hereunder and the Owners of such 2021 Bonds will have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee will, upon surrender for payment of any of the 2021 Bonds to be redeemed, pay such 2021 Bonds at the redemption price thereof. All Bonds redeemed pursuant to the Indenture will be canceled by the Trustee and will not be redelivered.

Book-Entry Only System

The 2021 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the 2021 Bonds. Individual purchases of the 2021 Bonds may be made in book-entry form only in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the 2021 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 2021 Bonds as described in this Official Statement. So long as DTC's book-entry system is in effect with respect to the 2021 Bonds, notices to Owners by the Authority or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the 2021 Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory

requirements. So long as the 2021 Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners or use of the capitalized term "Owners" means Cede & Co. or such other nominee of DTC, and do not mean the beneficial owners of the 2021 Bonds. See "APPENDIX F – DTC'S BOOK-ENTRY ONLY SYSTEM." In the event that such book-entry system is discontinued with respect to the 2021 Bonds, the Authority will execute and deliver replacements in the form of registered certificates and, thereafter, the 2021 Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture.

Annual Debt Service

The following table shows the annualized debt service on the 2021 Bonds, without regard to any optional or extraordinary redemption.

Bond Year Ending April 1	Principal*	Interest*	Annual Debt Service*
2022	\$ 230,000	\$ 753,316.67	\$ 983,316.67
2023	875,000	1,754,100.00	2,629,100.00
2024	905,000	1,727,850.00	2,632,850.00
2025	930,000	1,700,700.00	2,630,700.00
2026	960,000	1,672,800.00	2,632,800.00
2027	985,000	1,644,000.00	2,629,000.00
2028	1,025,000	1,604,600.00	2,629,600.00
2029	1,065,000	1,563,600.00	2,628,600.00
2030	1,110,000	1,521,000.00	2,631,000.00
2031	1,155,000	1,476,600.00	2,631,600.00
2032	1,200,000	1,430,400.00	2,630,400.00
2033	1,250,000	1,382,400.00	2,632,400.00
2034	1,300,000	1,332,400.00	2,632,400.00
2035	1,350,000	1,280,400.00	2,630,400.00
2036	1,405,000	1,226,400.00	2,631,400.00
2037	1,460,000	1,170,200.00	2,630,200.00
2038	1,520,000	1,111,800.00	2,631,800.00
2039	1,580,000	1,051,000.00	2,631,000.00
2040	1,645,000	987,800.00	2,632,800.00
2041	1,710,000	922,000.00	2,632,000.00
2042	1,775,000	853,600.00	2,628,600.00
2043	1,850,000	782,600.00	2,632,600.00
2044	1,920,000	708,600.00	2,628,600.00
2045	2,000,000	631,800.00	2,631,800.00
2046	2,080,000	551,800.00	2,631,800.00
2047	2,165,000	468,600.00	2,633,600.00
2048	2,250,000	382,000.00	2,632,000.00
2049	2,340,000	292,000.00	2,632,000.00
2050	2,430,000	198,400.00	2,628,400.00
2051	2,530,000	101,200.00	2,631,200.00
Total ⁽¹⁾	\$45,000,000	\$32,283,966.67	\$77,283,966.67

* Preliminary; subject to change. Source: Hilltop Securities Inc.

LEASED PROPERTY

The City is the fee owner of the Leased Property. In connection with the issuance of the 2021 Bonds, the Authority and the City will enter into a Site Lease, dated as of October 1, 2021 (the "Site Lease"). Under the Site Lease, the Authority will lease the Leased Property from the City. Under and pursuant to the term of the Lease Agreement, the City subleases the Leased Property from the Authority. See "SECURITY FOR 2021 BONDS" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" for a summary of certain provisions of the Site Lease and the Lease Agreement. None of the Leased Property constitutes security for the 2021 Bonds.

The Leased Property will consist of 11 parcels currently developed as parks or to be developed as potential parks located in, and owned by, the City, known as the following:

- 1) Essex Park The rectangular shaped property is 2.90 acres, or 126,324 square feet, and has an estimated value of \$4,257,000.
- 2) MacArthur Park The triangular shaped property is situated west of the western terminus of Deodar Street, just south of the 10 Freeway, and is 2.56 acres, or 111,514 square feet, and an estimated market value of \$3,439,000.
- 3) Mini Park #1 The rectangular shaped property is 0.40 acres, or 17,424 square feet, and has an estimated market value of \$568,000.
- 4) Mini Park #2 The triangular shaped property is 0.06 acres, or 2,439 square feet, and an estimated market value of \$79,000.
- 5) Moreno Vista Park The property is 1.24 acres, or 54,036 square feet and is generally rectangular in shape with approximately 140 feet of street frontage. Access is shared with the Monte Vista Water District. A pedestrian pathway borders the east side of the park, running south along the west side of the San Antonio Creek Channel, between Moreno Street to San Jose Street. This park has an estimated market value of \$1,740,000.
- 6) Saratoga Park The large sports league property is 11.69 acres, or 509,216 square feet, and has an L-shape and an estimated market value of \$16,797,000. The property is scheduled for approximately \$3 million in improvements in 2022.
- 7) Sunrise Park The property is 2.26 acres, or 98,446 square feet, and is generally rectangular in shape with an estimated market value of \$3,344,000.
- 8) Sunset Park The property is 7.83 acres, or 341,075 square feet, with an irregular shape and an estimated market value of \$9,739,000.
- 9) Sycamore Park The property is 0.77 acres, or 33,541 square feet, and is generally rectangular in shape with an estimated market value of \$2,009,000.
- 10) Reeder Ranch Park The rectangular shaped property is 1.56 acres, or 67,954 square feet. The property is a vacant land parcel with some chain link perimeter fencing and an estimated market value of \$1,710,000. The property is scheduled for approximately \$5 million in improvements in 2022.

11) County Park - The rectangular shaped property is 4.78 acres, or 208,217 square feet, and is essentially a vacant land parcel with some perimeter chain link fencing and five (5) trees, with an estimated market value of \$5,425,000.

Based on an appraisal dated August 26, 2021, the total estimated market value of all the Leased Property as of August 5, 2021 is \$49,107,000. In the appraisal report, the appraiser stated that the final value estimate reflects market value of the fee simple estate for such property, based on a number of assumptions, including but not limited to, that the legal description and title are good and that the subject ownership is free and clear of all encumbrances, except as may be detailed in the Appraisal; there is full compliance with all applicable federal, state, and local environmental regulations and laws; and that all applicable zoning and use regulations and restrictions have been complied with.

Pursuant to the Lease Agreement, subject to satisfaction of conditions set forth therein, the City may substitute all or a portion of the Leased Property or release a portion of the Leased Property during the term of the Lease Agreement. See "SECURITY FOR 2021 BONDS – Substitution or Removal of Leased Property."

SECURITY FOR 2021 BONDS

Pledge of Revenues Under Indenture

The 2021 Bonds will be limited obligations of the Authority secured solely by the pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power. The obligation of the City to make Base Rental Payments under the Lease Agreement will not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation or full faith and credit. Neither the 2021 Bonds nor the obligation of the City to make Base Rental Payments under the Lease Agreement constitutes an indebtedness of the City, State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

The 2021 Bonds will be payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee pursuant to the Indenture. Revenues, as defined in the Indenture, will mean all Base Rental Payments pursuant to the Lease Agreement, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund pursuant to the Indenture. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – DEFINITIONS."

As security for the 2021 Bonds, pursuant to the Assignment Agreement, the Authority will assign to the Trustee for the payment of the 2021 Bonds the Authority's rights, title and interest in the Lease Agreement (excluding the right to be indemnified and the right to be reimbursed for any costs or expenses under the Lease Agreement), including the right to receive Base Rental Payments to be made by the City under the Lease Agreement.

No Reserve Fund will be established for the 2021 Bonds under the Indenture.

Revenue Fund and Other Funds Under Indenture

Pursuant to the Indenture, the Trustee will establish a special fund designated the "Revenue Fund." The Trustee will hold the Revenue Fund in trust for the benefit of the Owners until all required Revenues will be paid in full pursuant to the Lease Agreement or until such date as the 2021 Bonds will no longer be Outstanding. In addition, the Trustee will establish and maintain an Interest Fund, a Principal Fund and a Redemption Fund. At the times specified in the Indenture, the Trustee will transfer moneys from the Revenue Fund to the Interest Fund, the Principal Fund or a Redemption Fund, respectively, for the payment of interest, principal or redemption price, as applicable, coming due with respect to the 2021 Bonds.

All Revenues will be paid directly by the City to the Trustee (and if received by the Authority at any time will be deposited with the Trustee after the receipt). All Revenues, the proceeds of rental interruption insurance and condemnation awards, if any (see "Insurance" and "Use of Net Proceeds in Event of Damage, Destruction, Title Defect and Condemnation" below), will be deposited by the Trustee in the Revenue Fund. Notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date, Mandatory Sinking Account Payment Date or redemption date (if one has then been designated by the City in connection with an optional redemption or extraordinary redemption of the 2021 Bonds), as the case may be (after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture), then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the City, for any other purpose.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – REVENUES."

Base Rental Payments; Covenant to Appropriate

Under the Lease Agreement, the City will agree to pay semiannual Base Rental Payments, subject to the abatement provisions of the Lease Agreement (see "Abatement" below), as the rental payments for the use and occupancy of the Leased Property. Each installment of Base Rental Payments will be due five days preceding each Interest Payment Date (each, a "Base Rental Payment Date") as set forth in the Lease Agreement; provided that amounts required to be deposited by the City with the Trustee on any such Base Rental Payment Date will be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any installment of Base Rental Payment scheduled to be made on a date which is not a Business Day will be made on the next succeeding Business Day.

The City will covenant to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Lease Agreement in its operating budget for each fiscal year commencing after the issuance of the 2021 Bonds and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – RENTAL PAYMENTS."

Abatement

Based Rental Payments will be subject to abatement under the circumstances and to the extent provided in the Lease Agreement. Pursuant to the Lease Agreement, except to the extent of (a) amounts held by the Trustee in the Revenue Fund, (b) amounts received in respect of rental interruption insurance (see "Insurance – *Rental Interruption Insurance*" below), and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the 2021 Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the City's use and possession of any portion of the Leased Property, Based Rental Payments will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case Base Rental Payments will be abated only by an amount equal to the difference.

If the City will assign, transfer or sublease any or all of the Leased Property or other rights hereunder, as permitted by the Lease Agreement, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property will first be allocated to the Lease Agreement as provided in the Lease Agreement. Any abatement of Base Rental Payments pursuant to the Lease Agreement will not be considered an Event of Default as defined in the Lease Agreement. The City will waive the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

The City will further agree under the Lease Agreement that, in the event that rental is abated in whole or in part due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the City will apply for and to use its best efforts to obtain any appropriate state or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – RENTAL PAYMENTS – Rental Abatement." See also "BONDOWNERS' RISKS – Abatement."

Insurance

The City will covenant to secure and maintain (or cause to be secured and maintained) during the term of the Lease Agreement certain insurance coverage, including the following. The term "Net Proceeds," as defined in the Lease Agreement, will mean any insurance or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

<u>Rental Interruption Insurance</u>. So long as the 2021 Bonds remain Outstanding, the City will be required to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Property and the improvements situated thereon as a result of any of

the hazards covered in the property insurance described below (see "*Property Insurance*"), in an amount at least equal to the maximum Base Rental Payments coming due and payable during any immediately succeeding 24 month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such rental interruption insurance will not be self-insured by the City. The City will apply the Net Proceeds of such insurance towards the payment of the Base Rental Payments allocable to the insured improvements as the same become due and payable.

<u>Property Insurance</u>. The City will be required to maintain property insurance against loss or damage to all of the buildings situated on the Leased Property and owned by the City, in an amount at least equal to the lesser of the replacement value of the insured buildings and the aggregate principal amount of the Base Rental Payments outstanding. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Earthquake insurance will only be carried if available from reputable insurers at a reasonable cost as determined by the City Manager, Finance Director or Finance Manager of the City. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, a self-insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the Net Proceeds of such insurance as described below under "Use of Net Proceeds in Event of Damage, Destruction, Title Defect and Condemnation."

<u>Standard Commercial General Liability Insurance</u>. The City will be required to maintain standard commercial general liability insurance policy or policies or other comparable coverage form in protection of the City and its respective members, officers, agents, employees and assigns. The policy or policies will provide for indemnification of such parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property should the City be legally liable. Such policy or policies must provide coverage with limits and subject to such deductibles as the City will deem adequate and prudent, and in all events in form and amount (including any deductibles). Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, a self-insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the proceeds of such liability insurance toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

<u>Workers' Compensation Insurance</u>. The City will carry workers' compensation insurance covering all employees on, in, near or about the Leased Property throughout the term of the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including a self-insurance program), and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance.

<u>*Title Insurance.*</u> The City will deliver or cause to be delivered to the Trustee on the issuance date of the 2021 Bonds a CLTA or ALTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable.

"APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – MAINTENANCE; TAXES; INSURANCE AND OTHER CHAGRES – Insurance." See also "BONDOWNERS' RISKS – Abatement" and "– Risk of Uninsured Loss."

Use of Net Proceeds in Event of Damage, Destruction, Title Defect and Condemnation

During the term of the Lease Agreement, if: (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the City and the Authority will cause the net proceeds of any insurance claim or condemnation award to be deposited into an Insurance and Condemnation Fund to be held by the Trustee. Pursuant to the Indenture, the Trustee will disburse moneys from the Insurance and Condemnation, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property. Any balance of the net proceeds remaining after such work has been completed will be paid to the City.

As an alternative to the foregoing, at the City's option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose will be at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Lease Agreement attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), the City may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding 2021 Bonds pursuant to the Indenture. See "2021 BONDS – Redemption – *Extraordinary Redemption*." Notwithstanding any other provision in the Lease Agreement, the City may prepay less than all of the principal component of the then-remaining Base Rental Payments only if the annual fair rental value of the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of such insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to redeem all the Outstanding 2021 Bonds, both as provided in the preceding paragraph, then the City may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; provided that the failure of the City to so budget or appropriate will not be considered a breach of or default under the Lease Agreement.

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – REVENUES – Application of Insurance Proceeds and Condemnation Awards" and "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – REVENUES – DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds."

Substitution or Removal of Leased Property

Upon compliance of conditions set forth in the Lease Agreement, the City may amend the Lease Agreement and the Site Lease to substitute other real property or improvements (the "Substituted Property") for existing Leased Property (referred to below as a "Substitution") or to release real property (including undivided interests therein) or improvements from the definition of Leased Property (referred to below as a "Removal").

A Substitution or a Removal may take place if the City delivers to the Authority and the Trustee the following:

- (i) A Certificate of the City containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;
- (ii) A Certificate of the City: (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Lease Agreement, will be at least equal to the maximum annual Base Rental Payments payable hereunder attributable to the Leased Property prior to said Substitution or Removal, as determined by the City on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of this Lease Agreement;
- (iii) An opinion of Bond Counsel addressed to the City, the Authority and the Trustee to the effect that the amendments to the Lease Agreement and the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms;
- (iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable hereunder, insuring the City's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances (as defined in the Lease Agreement), together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the 2021 Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;
- (v) In the event of a Substitution, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the City for the purposes of leasing or using the Substituted Property; and

(vi) Evidence that the City has complied with the covenants regarding the maintenance of property insurance and rental interruption insurance with respect to the Substituted Property (see "Insurance" above).

See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LEASE AGREEMENT – THE LEASED PROPERTY – Substitution or Removal of Leased Property."

General

The City encompasses approximately 5.2 square miles and is located in the western end of San Bernardino County, approximately 35 miles to the east of downtown Los Angeles. The western boundary of the City is contiguous with the Los Angeles County line. The San Bernardino Freeway (Interstate 10) runs through the northern part of the City.

Until the 1890's, the area that is now the City consisted mostly of grazing land and a watering hole. In 1897, the "Township of Marquette" was founded. In early 1900's, a 1,000 acres tract of land was surveyed and named "Monte Vista." Throughout the first half of the 20th century, the settlement was largely devoted to citrus orchards. The Monte Vista tract experienced growth in residential development after the Second World War. The City of Monte Vista was incorporated on April 25, 1956, with a population of 8,008, spreading over 4.2 square miles. At an election held on April 8, 1958, the residents of the City of Monte Vista voted to change the name to the City of Montclair. The name change was because there was another community in the northern part of the State also named Monte Vista and there was some confusion with the U.S. postal services.

The City provides police and fire protection, sewer maintenance, sewer and sanitation services to its residents. Solid waste collection is provided through a franchise agreement with a local refuse collection service. Water services within the City are provided by the Monte Vista Water District. The City operates community facilities and parks throughout the City.

Several main highways serve the City. These include U.S. Interstate 10 (the San Bernardino Freeway) and State Route 60 (the Pomona Freeway). Ontario International Airport (5 miles from City) and several other Southern California airports, including Los Angeles International Airport, provide international and transcontinental service.

City Government

The City is a general law city and currently functions under a Council/Manager form of Government. The City Council is the governing body of the City. The City Council members are elected in even-numbered years for staggered four-year terms. The membership of the City Council is comprised of the five elected officials: Mayor, Mayor Pro Tem, and three Council Members.

The current members of the City Council are as follows:

Name and Office	Current Term Expires
Javier J. Dutrey, Mayor	November 2022
William Ruh, Mayor Pro Tem	November 2022
Carolyn Johnson, Council Member	November 2024
Benjamin Lopez, Council Member	November 2024
Corysa Martinez, Council Member	November 2022

The City Manager is appointed by the City Council and has the chief administrative responsibilities for the City. The City Manager directs and coordinates all City services, and also

serves as the City Treasurer. The City operations are organized into different departments. Currently, there are the City Manager Department, Administrative Services/Human Resources Department, Human Services Department, Police Department, Fire Department, Public Works Department, Community Development Department, Information Technology Department and Economic Development Department. The City Manager Department oversees the daily operations of the organization; supervises all Department-level appointees; hires, promotes and disciplines personnel; represents all bargaining group requests to the City Council; administers, manages, and supervises a variety of administrative functions; directly oversees financial operations of the City; and provides extensive support services to each City department and the City Council. Below are brief biographies of the City Manager and the Finance Manager of the City.

Edward C. Starr, City Manager. Mr. Starr enlisted at the age of 18 and served in the United States Air Force for approximately six years. During his Air Force experience, he was awarded a Top Secret Cryptographic Security Clearance and served in various assignments including a tour at Clark Air Base, Philippines, where he worked with the National Security Agency; Kelly Air Force Base, San Antonio, Texas, working in the field of electronic warfare; and Beale Air Force Base, Marysville, California, working as an Air Traffic Controller. After military service, he graduated *Magna Cum Laude* from the California State University, Fullerton, with a Bachelor's Degree in Political Science and minor in U.S. History, and subsequently received a Master's Degree in Public Administration. Mr. Starr has served in local government since 1984, including the last 11 years as City Manager for the City. As City Manager, he has assisted the City Council in directing the City's present and future course and in providing the community with a stable economic environment, including major commercial and residential development opportunities.

Janet Kulbeck, Finance Manager. Mrs. Kulbeck graduated with honors from Chaffey College with an Associate's Degree in Accounting and then continued her education at the California State Polytechnic University, Pomona where she graduated *Cum Laude* with a Bachelor's Degree in Accounting. Mrs. Kulbeck has served in local government since 2000, including the last two years as Finance Manager. After the Montclair Redevelopment Agency was dissolved by the State of California, Mrs. Kulbeck served on the Oversight Board of the Successor Agency to the City of Montclair Redevelopment Agency from 2012 through 2018.

Employee Relations

All City full-time employees, except for executive management employees, are represented by employee associations. Separately, the City has entered into agreements with the unrepresented management employees, setting forth the understanding regarding certain terms of employment. As shown below, only one of the six City contracts with the bargaining groups has expired. The City is engaged with the Police Officers Association regarding a successor contract. No work stoppage has resulted because of the expiration of such public safety contract, and work stoppage is prohibited by State law.

Agreement	Counterparty to City	Expiration Date ⁽¹⁾
Agreement No. 19-94	Montclair Police Officers Association	06/30/2021
Agreement No. 19-84	Montclair General Employees Association	06/30/2024
Agreement No. 21-29	Montclair Fire Fighters Association	06/30/2026
Agreement No. 19-72	Montclair City Confidential Employees' Association	06/30/2022
Agreement No. 19-80	Mid-management employees (non-safety and safety)	06/30/2022
Agreement No. 19-81	Executive management employees (department heads)	06/30/2022

Shows the expiration date of the most recent agreements.
 Source: City of Montclair

Recent and Continuing Developments

The Metro Gold Line Foothill Extension (the "Extension") is a project to extend the Metro Gold Line, a regional light rail line which runs from downtown Los Angeles to the City as the eastern terminus. The Extension will eventually consist of over 23 miles and is being constructed in two phases, with the first phase (from Pasadena to Azusa) being over 11 miles and the second phase (from Azusa to Montclair) being over 12 miles. The first phase was completed in September 2015, and passenger service began in March 2016. The second phase has been divided into two sub-phases, the first sub-phase from Azusa to Pomona and the second sub-phase from Pomona to Montclair. The first sub-phase is expected to be completed by 2024, and the second sub-phase by 2026 if the Gold Line Foothill Extension Construction Authority can secure \$540 million from the State's Fiscal Year 2021-22 surplus of \$74 billion by October 7, 2021.

Located in the north side of the City is the Montclair Transcenter, a 20-acre multimodal transportation facility located along Richton Street, just east of Monte Vista Avenue. The Transcenter is the largest such facility between Union Station in Los Angeles and San Bernardino Station. The Transcenter is a master planned regional transportation hub, with a regional Metrolink station (the Metrolink San Bernardino Line), bus services provided by five different public and private transit agencies, and a park-and-ride facility that accommodates approximately 1,600 commuter vehicles. The Transcenter includes a 1.6 acre service area that currently provides support services for child care.

As described in the North Montclair Downtown Specific Plan (adopted in 2006 and amended in 2017), the City is developing a pedestrian-oriented commercial and residential district surrounding the Transcenter. As of July 2021, North Montclair Downtown Specific Plan development projects include the 385-unit "The Paseos at Montclair," the 129-unit "The District at Arrow Station," the 212-unit "The Alexan Kendry," and the 23-unit "Vista Court." The 366 mixed-unit "Village at Montclair" received entitlement in December 2020 and construction is expected to begin by early 2022. A minimum of ten of the ground floor units at Village at Montclair will serve as commercial units immediately upon completion, and 20 of the project's flex units will come on line as commercial units within approximately five years after construction is completed and certificates of occupancy are

issued. The City's Community Development Department is currently reviewing additional projects, including "The Alexan Kendry Expansion" that will incorporate a mixed-use commercial component and 137 residential units, and the 302-unit "Montclair Station" townhomes project.

A major retail center in the City is Montclair Place (formerly known as Montclair Plaza), a 1.2 million square foot regional shopping mall, currently anchored by Macy's and JCPenney and housing approximately 200 specialty retailers and restaurants. In March 2018, AMC Theatres announced the replacement of the old Broadway building at Montclair Place with a new 55,000 square-foot, 12-screen dine-in movie theatre, the City's first indoor theatre in nearly two decades. The Canyon, a 17,500 square-foot music and entertainment venue, Kids Station, an 11,000 square-foot indoor playground, and Lazy Dog Restaurant were also added during the last two years. A Sprouts grocery store and Round 1 Bowling and Amusement venue are planned for the lower level of the AMC Theatres structure. In September 2020, the City Council approved the Montclair Place District Specific Plan. Under the Montclair Place District Specific Plan, it is contemplated that Montclair Place and surrounding areas will be further redeveloped with additional free-standing and outdoor retail, entertainment and restaurant establishments, integrated into a mix of office and neighborhood residential projects.

For south Montclair, the City has received a project proposal to convert 29 acres (the Tiki Drive-in Theatre) into a technology center/light industrial campus. If approved, the project would include state-of-the-art warehouse facilities capable of serving the needs of medical equipment/supply manufacturers.

CITY FINANCIAL INFORMATION

COVID-19 Disruption; City Proactive Measures

The COVID-19 pandemic brought unexpected and unprecedented disruption to the global economy, and challenges to governments at all levels, including the City. See "INTRODUCTION – COVID-19 Pandemic" and "BONDOWNERS' RISKS – Effects from COVID-19 Pandemic." Many tables under this "CITY FINANCIAL INFORMATION" of the Official Statement show data that span from one to a few years before the pandemic, during which the economy was relatively strong and also show data for fiscal years 2019-20 and 2020-21, during which adjustments had to be made during the pandemic.

On May 18, 2020, in view of the projected negative economic impact, the City Council adopted Resolution No. 20-3267, declaring a state of fiscal urgency (which was expressly distinguished from a state of fiscal emergency). Resolution No. 20-3267, directed the City Manager to take strategic measures to reduce or avoid successive budgetary deficits, which measures may include, but not limited to the following:

- 1. Reduce General Fund operating expenditures.
- 2. Enact and/or recommend reductions in personnel, as necessary, by a combination of layoffs; furloughs, and/or maintenance of vacant positions where appropriate.
- 3. As appropriate, consolidate service programs, and/or evaluate and recommend service contracting/reductions in service.

- 4. As necessary, delay project start dates.
- 5. Maintain program outputs commensurate with organizational/community needs and revenue inflow.
- 6. Develop economic growth by accomplishing the following:
 - a. Complete housing and mixed-use components pursuant to the North Montclair Downtown Specific Plan.
 - b. Complete the Montclair Place District Specific Plan.
 - c. Complete the General Plan Update.
 - d. Complete the Arrow Highway Mixed-use Development (AHMUD) Specific Plan.
 - e. Complete the Gold Line to the Montclair Transcenter.
 - f. Pursue development within other areas of the City.
- 7. Secure funding to meet debt service on the 2014 Lease Revenue Bonds (defined below, see "Other Long-Term Obligations Payable Out of General Fund 2014 Bond Lease Payments").
- 8. Identify, implement and/or present alternatives for revenue enhancement including, but not limited to, the following:
 - a. A voter-approved transactions and use tax district.
 - b. Present for City Council consideration a commercial cannabis ordinance and provisions for a potential tax measure.
 - c. Restoration of the Utility Users Tax to the maximum voter-approved 4.75 percent tax rate (the current tax rate is 3.89%).
- 9. Achieve and maintain Montclair's Unrestricted General Fund Reserve Fund at 25 percent of the General Fund Operating Budget.
- 10. Evaluate a pension bond measure as a means to reduce the City's annual payment to the CalPERS

After the adoption of Resolution No. 20-3267, a number of such measures were taken. At the end of fiscal year 2020-21, the City was able to maintain the General Fund unassigned reserve at approximately \$5.8 million. The City's fiscal year 2021-22 budget, as adopted by the City Council in June 2021, shows that the City projects \$8 million of General Fund unassigned reserve by the end of fiscal year 2021-22, which will be equal to approximately 24.95 percent of total General Fund operating budget for that year.

With the passage of Measure L in the November 2020 election, the City started to collect Measure L Revenues in April 2021. As of June 30, 2021, the City projected approximately \$9.5 million of Measure L Revenues in fiscal year 2021-22. The 2021 Bonds are being issued to provide financing for various infrastructure projects. See "PLAN OF FINANCING." The City contemplates using a portion of the Measure L Revenues each year for the Base Rental Payments. See "Primary Source of Fund for 2021 Base Rental Payments; Measure L Revenues."

The City anticipates issuing pension obligation bonds (the "2021 Pension Obligation Bonds") in October 2021, to refund current unamortized, unfunded accrued liability ("Unfunded Accrued Liability" or "UAL") with respect to its pension plans. Based on current projections (using assumptions that the City believes are reasonable), the issuance of the pension obligation bonds is estimated to provide over **\$[15]** million of net present value savings for the City. Also see "Other Long-Term Obligations Payable Out of General Fund - Pension Obligation Bonds; POB/UAL Amortization Reserve."

On March 11, 2021, a federal stimulus bill known as the American Rescue Plan Act of 2021 ("ARPA") was signed into law. The City currently expects to be allocated approximately \$9.5 million from ARPA. The use of such moneys will be limited for the purposes and within the timeline permitted by ARPA. Eligible uses include:

- (i) COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to households, small businesses and non-profits, or aid to impacted industries, such as tourism, travel and hospitality;
- (ii) premium pay for essential workers or grants to eligible employers that have workers who perform essential work (in an amount up to \$13 per hour or \$25,000 per worker);
- (iii) revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency; and
- (iv) necessary investments in water, sewer, and broadband infrastructure.

ARPA funding cannot be used for any deposit into a pension fund and must be used to cover costs incurred no later than December 31, 2024. The City will receive the ARPA funding in two tranches, half in June 2021 and half in June 2022. Final U.S. Treasury Department rules on use of ARPA funds are expected to be issued in or about October 2021.

During fiscal year 2020-21, staff layoffs impacted six full-time and one part-time General Fund positions. With an improved financial outlook, essential City staff positions frozen or eliminated due to the fiscal impact of COVID-19 pandemic have been restored pursuant to the adopted fiscal year 2021-22 budget.

Due to the availability of the vaccine and a decreasing number of COVID-19 cases since the beginning of 2021, the State lifted public health restrictions, including mask and social distance mandates and venue capacity limits as of mid-June 2021. The City's adopted fiscal year 2021-22 budget reflects an improved economic outlook relative to a year earlier when the fiscal year 2020-21 budget was adopted. See "City Budgets for Fiscal Years 2019-20 through 2021-22." Nonetheless, COVID-19 has not been eradicated and risk of resurgence of cases remains. As the economy re-

opens, it is unknown if there will be lingering effects from the changes that have been brought by the pandemic. The City will continue to monitor the situation closely and make adjustments.

Anticipated Primary Source of Fund for 2021 Base Rental Payments: Measure L Revenues

Pursuant to the Lease Agreement, the City will covenant to include in its budget for each fiscal year the amount necessary to pay the Base Rental Payments and Additional Payments due for such fiscal year, to be paid from moneys available in the General Fund. See "SECURITY FOR 2021 BONDS – Base Rental Payments; Covenant to Appropriate." Currently, the City plans to use Measure L Revenues as the primary source for such appropriation.

Measure L – a measure to increase the sales tax in the City from 8.0 percent to 9.0 percent to fund general community needs – was passed with the approval of over 68 percent of the votes cast. The use of Measure L Revenue is not restricted for a specific project. The text of Measure L ballot read as follows:

"Shall the measure to protect Montclair's long-term financial ability to fund general community needs, including keeping Montclair safe; preparing for/recovering from public health emergencies; helping prevent contamination of local water sources; maintaining 911 emergency response; continuing afterschool and senior programs; repairing streets; addressing homelessness; increasing the sales tax by 1 cent, providing approximately \$7,000,000 annually until ended by voters; requiring Independent financial audits, all funds used locally, be adopted."

Collection of Measure L Revenues began in April 2021. In April through June 2021, the City received approximately \$2.436 million in Measure L Revenues. As the economy continues to reopen, the City projects that Measure L will generate approximately \$9.5 million in fiscal year 2021-22.

Even though the City intends to use Measure L Revenues for the payments related to the 2021 Bonds, Measure L Revenues are not pledged for the security of the Base Rental Payments, or any other payments related to the 2021 Bonds. Measure L Revenues are part of the General Fund. In the future, at any time, the City may elect to use other General Fund revenue source or sources for such payments.

In addition to the Base Rental Payments and the Additional Payments relating to the 2021 Lease Revenue Bonds, the City will make certain payments related to two other bond issues from General Fund revenues: (i) the Authority's Lease Revenue Refunding Bonds (Public Facilities Projects) Issue of 2014 (the "2014 Lease Revenue Bonds"), and (ii) pension obligation bonds which the City expects to issue in or about October, 2021. See discussions below.

Other Long-Term Obligations Payable Out of General Fund

Pension Obligation Bonds; POB/UAL Amortization Reserve

The City anticipates issuing the 2021 Pension Obligation Bonds in October 2021. As shown in Table 16 under "CITY PENSION AND OPEB PLANS – Pension Plans," the City had Unfunded Accrued Liability of approximately \$82.6 million, as of the June 30, 2020 actuarial valuation by the

California Public Employees' Retirement System ("CalPERS" or "PERS"). In July 2021 the City made an Unfunded Liability payment of \$5,761,184 (the "2021 UAL Payment") to CalPERS. The proceeds of the Pension Obligation Bonds will be used to refund the remaining Unfunded Liability Balance.

Based on current projections (using assumptions that the City believes are reasonable), the City anticipates that the final maturity of the Pension Obligation Bonds will be in 2045, and the annual principal and interest payments will total approximately \$4.6 million. As part of the City's adopted 2021-22 budget, the City Council approved the establishment of a "POB/UAL Amortization Reserve," with an initial deposit of \$558,661 transferred from the unassigned reserve of the General Fund. The City further contemplates that, starting in fiscal year 2022-23, the City will deposit into the POB/UAL Amortization Reserve an amount of approximately \$1.5 million each year (being the difference between 2021 UAL Payment and the annual debt service payment on the Pension Obligation Bonds). The City contemplates that, in the future, moneys accumulated in the POB/UAL Amortization Reserve may be used to pay new Unfunded Liability growth or redeem the Pension Obligation Bonds before final maturity (or both).

As a matter of State law, moneys in the POB/UAL Amortization Reserve remain part of the City's General Fund and the City may use moneys therein for other purposes at the City Council's direction. Alternatively, the City may establish a Section 115 Trust and transfer funds to the trust to ensure those funds will only be used for pension-related costs.

The POB/UAL Amortization Reserve will be in addition to a separate, already-existing reserve in the General Fund designated the "CALPERS and Employee Post Benefits Reserve." In recent years, the City has maintained a balance of \$2.5 million in the CALPERS and Employee Post Benefits Reserve.

2014 Bond Lease Payments

As of July 1, 2021, the outstanding principal amount of the 2014 Lease Revenue Bonds was \$40.155 million. The principal and interest payments on the 2014 Lease Revenue Bonds for each fiscal year until final maturity (October 1, 2045) is approximately \$2.6 million each year.

Background

The 2014 Lease Revenue Bonds were issued to refund bonds previously issued in 2005 and provide additional funds for various public improvements and infrastructure projects. In connection with the 2014 Bonds, the City and the Authority entered into a lease, under which the City makes lease payments (the "2014 Bond Lease Payments") in amounts sufficient to cover the principal and interest payments on the 2014 Lease Revenue Bonds.

Before the issuance of the 2014 Bonds, the City had decided to make the 2014 Bond Lease Payments from two specific sources – Measure F Revenues (defined below, see "Sales, Transaction and Use Taxes") and RPTTF Residual Revenues (defined below, see "Property Taxes (Ad Valorem and Vehicle In-Lieu Fees)"). This was a discretionary decision by the City. Similar to Measure L Revenues, both Measure F Revenues and RPTTF Residual Revenues are part of the General Fund as a matter of State law. The City has the right to make a change at any time to make the 2014 Lease Revenue Payments from other available revenues. As discussed below, the City is currently considering the use of Measure F Revenues (subsidized as required by other General Fund Revenue sources) as the primary funding source only for the 2014 Bond Lease Payments starting in this or the next fiscal year.

Coverage for the 2014 Lease Revenue Payments During Past Five Fiscal Years

The table below shows the City's total receipt of Measure F Revenues and RPTTF Residual Revenues and their use for the 2014 Bond Lease Payments for reference.

Table 1 CITY OF MONTCLAIR Measure F and RPTTF Residual Revenues and Uses ⁽¹⁾ Fiscal Years 2016-17 through 2020-21						
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	
Revenue Amounts						
Measure F Revenues	\$2,109,408	\$2,205,241	\$2,431,378	\$2,173,220	\$2,256,282(2)	
RPTTF Residual Revenues	1,277,927	1,662,146	1,541,604	1,592,195	1,748,654	
Total	\$3,387,335	\$3,867,387	\$3,972,982	\$3,765,415	\$4,004,936	
Uses						
2014 Bond Lease Payments ⁽¹⁾	\$2,597,688	\$2,600,234	\$2,600,229	\$2,594,587	\$2,590,462	
2014 Bond-related administration expenses	6,150					
Remaining Measure F Revenues deposited						
into General Fund	255,570	355,007	581,149	328,633	415,820	
Remaining RPTTF Residuals deposited into						
Economic Development Fund ⁽³⁾	527,927	912,146	791,604	842,195	998,654	
Total	\$3,387,335	\$3,867,387	\$3,972,982	\$3,765,415	\$4,004,936	

(1) Equal to the 2014 Bond Lease Payments for each such fiscal year, less a small amount paid from interest earnings from moneys already on deposit in the 2014 bond accounts.

(2) Based on estimates as of June 30, 2021. See discussion under "Sales, Transaction and Use Taxes" regarding California Department of Tax and Fee Administration's administration sales, transaction and use taxes and transmittal of related revenues to the City.

(3) See discussion below under "Contemplated Change in Source of Moneys for 2014 Bond Lease Payments."

Source: City of Montclair Finance Division.

Presentation in City Financial Statements

Because of the City's policy of using Measure F Revenues and RPTTF Residual Revenues as the specific sources for the 2014 Bond Lease Payments, the City has generally not specifically labeled the 2014 Bond Lease Payments as "debt service" in the columns showing General Fund revenue and expenditures in its financial statements. For example, see Appendix B for a copy of the City's fiscal year 2019-20 audited financial statements (the "City FY 2019-20 Audited Financial Statements"). In the Statements of Revenues, Expenditures and Charges in Fund Balances on pages 10-11, under the column labelled "General Fund," the dollar amounts used for 2014 Bond Lease Payments were included in the "Transfer Out" under "Other Financing Sources (Uses)." Moving to the column labelled "Other Government Funds" on page 11, the 2014 Bond Lease Payments were reflected in the rows labelled "Principal Retirement" and "Interest and Fiscal Changes" under "EXPENDITURES – Debt Service." More details regarding the different components that make up the "Other Government Funds" can be found on pages 58-66. On page 66 in particular, the 2014 Lease Payments were reflected under the column labelled "Debt Service Fund."

Separately, on page 11, the numbers under the column labelled "Economic Development" reflect the deposit of RPTTF Residual Revenues into the Economic Development Fund (see "*Contemplated Change in Source of Moneys for 2014 Bond Lease Payments*") *after* deduction of the amount used for the 2014 Lease Payments. See "APPENDIX B - CITY OF MONTCLAIR FINANCIAL AUDIT REPORT FOR YEAR ENDED JUNE 30, 2020."

Contemplated Change in Source of Moneys for 2014 Bond Lease Payments

The City's adopted fiscal year 2021-22 budget continued to include appropriations from Measure F Revenues and RPTTF Residual Revenues for the 2014 Bond Lease Payments. However, the City is currently considering the use of Measure F Revenues only for the 2014 Bond Lease Payments, possibly as soon as this fiscal year.

As discussed below under "Property Taxes (Ad Valorem and Vehicle In-Lieu Fees)," RPTTF Residual Revenues represent a portion of the moneys that the former City of Montclair Redevelopment Agency (the "Former RDA") would have received from "tax increment." After the Former RDA's dissolution by State law, the City Council directed the establishment of an "Economic Development Fund" and the deposit of RPTTF Residual Revenues therein for economic development projects and programs. Because a portion of the proceeds of the 2014 Lease Revenue Bonds was used to fund public improvements and infrastructure projects that, in the City's view, benefited economic development, the City has used RPTTF Residual Revenues received each fiscal year to, first, pay the portion of the Lease Payments not covered by Measure F Revenues, and then deposit the remaining RPTTF Residual Revenues into the Economic Development Fund.

In view of the economic development that the City anticipates will occur in the next few years and the projected sufficiency of Measure F Revenues, the City is contemplating the use of Measure F Revenues only for the 2014 Bond Lease Payments in the future. Then, all RPTTF Revenues will be deposited into the Economic Development Fund. In the absence of unforeseen changes to the City's finances, the City Manager may seek to implement this change as early as the current fiscal year, subject to the City Council's approval of an amendment to the adopted fiscal year 2021-22 budget. As a matter of State law, moneys in the Economic Development Fund are unrestricted and available for general City operations. However, the City has maintained an internal policy to set-aside such moneys, separate from other General Fund assets. To be consistent with the presentation of the City's audited financial statements showing the Economic Development Fund separately and not as part of the "General Fund" columns, Tables 2 and 3 under "Financial Statement (General Fund) will include only a portion of the RPTTF Residual Revenues, *i.e.*, the portion used for the 2014 Bond Lease Payments, and excludes the portion of the RPTTF Residual Revenues deposited into the Economic Development Fund.

Financial Statements (General Fund)

Set forth in the following pages are the City's General Fund Balance Sheets and Statements of Revenues, Expenditures and Changes in General Fund Balance, based on: (i) the City's audited financial statements for fiscal years 2016-17 through 2019-20, and (ii) unaudited fiscal year 2020-21 estimates based on information compiled by the City's Finance Division. Such statements are subject to various notes attached to the City's financial statements for the respective years and the footnotes below the table. The City's Financial Audit Report for fiscal year ended June 30, 2020, which includes the City's fiscal year 2019-20 audited financial statements and the Independent Auditor's Report issued by Van Lant & Fankhanel, LLP (the "Auditors") regarding such financial statements, is set forth in Appendix B. The City has not requested the Auditors to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. A complete copy of the City's Financial audit report for fiscal year ended June 30, 2020, as well as the reports for prior years, can be obtained from the City's Finance Division. See "APPENDIX B - CITY OF MONTCLAIR FINANCIAL AUDIT REPORT FOR YEAR ENDED JUNE 30, 2020."

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Table 2 CITY OF MONTCLAIR **General Fund Balance Sheet**⁽¹⁾ Fiscal Years 2016-17 through 2020-21

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	(Unaudited) FY 2020-21
Assets					
Pooled Cash and investments	\$9,864,169	\$9,997,848	\$10,552,368	\$7,527,646	\$12,098,639
Receivables					
Accounts	2,258,091	2,467,144	2,368,061	2,314,499	1,584,270
Notes and loans	5,000	5,000	5,000	5,000	5,000
Accrued interest	52,306	61,532	54,609	57,023	14,483
Prepaid costs ⁽²⁾	411,850	202,224	249,458	121,741	6,552
Due from other governments ⁽³⁾	2,842,345	2,732,186	2,795,342	2,851,646	2,802,050
Due from other funds ⁽⁴⁾	416,090	117,382	163,146	1,307,273	7,777
Restricted assets - cash				98,550	219,935
Total assets	\$15,849,851	\$15,583,316	\$16,187,984	\$14,283,378	\$16,738,706
Liabilities					
Accounts payable	\$979,656	\$1,024,304	\$1,030,927	\$1,033,627	\$570,452
Accrued liabilities	176,558	147,874	231,883	356,342	(122,635)
Deposits payable	200,553	157,012	252,949	98,550	377,006
Due to other governments ⁽⁵⁾	7,438	7,907	83,453	7,905	10,864
Due to other funds	57,372	52,400	22,697	35,043	26,028
Total liabilities	\$1,421,577	\$1,389,497	\$1,621,909	\$1,531,467	\$861,715
Deferred inflow of resources					
Unavailable revenues - grants ⁽⁶⁾	\$135,427	\$130,660	\$163,800	\$175,000	
Fund balances					
Nonspendable ⁽⁷⁾	\$411,850	\$202,224	\$249,458	\$121,741	\$6,552
Assigned ⁽⁸⁾	7,700,000	7,300,000	6,193,885	7,633,097	8,113,427
Unassigned ⁽⁸⁾	6,180,997	6,560,935	7,958,932	4,822,073	7,757,012
Total fund balance	\$14,292,847	\$14,063,159	\$14,402,275	\$12,576,911	\$15,876,991
Total liabilities, deferred inflows of resources and fund balances	\$15,849,851	\$15,583,316	\$16,187,984	\$14,283,378	\$16,738,706

Excludes amounts of RPTTF Residuals deposited into the Economic Development Fund. See discussion under "Other Long-Term Obligations (1) Payable Out of General Fund - 2014 Bond Lease Payments - RPTTF Residual Revenues" and "- Presentation in City Financial Statements."

Consists primarily of prepaid insurance costs. While such prepaid costs are recorded as assets, they represent cash spent for future services. (2) Therefore, a corresponding amount is shown as the "non-spendable" portion of the fund balance

Consist largely of property and sales taxes received after end of fiscal year, and grants from other governmental agencies for projects and (3) programs.

(4) Represents advances from General Fund for uses attributable to other City funds while awaiting reimbursements from other governmental entities or revenues not yet received by the City.

Consists primarily of moneys due to other local agencies, such as the County of San Bernardino, for services provided. (5)

Represents a change in accounting standards which required deferred items to be presented separately. Due to this change, this category of moneys is (6) listed under "deferred inflow of resources" instead of "liabilities," starting with fiscal year 2012-13 audited financial statements.

Represents moneys used for expenses attributable to the next fiscal year. (see (2) above. (7)

"Assigned" and "Unassigned" are categories given based on availability for internal budgeting and accounting purposes but are all available (8) for future City budgetary requirements.

City of Montclair audited financial statements for fiscal years 2016-17 through 2019-20. Additional explanations for footnotes Source: and unaudited/estimated figures for fiscal year 2020-21 from City of Montclair Finance Division.

Table 3 CITY OF MONTCLAIR General Fund Statement of Revenues, Expenditures and Changes in Fund Balances⁽¹⁾ Fiscal Years 2016-17 through 2020-21

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	(Unaudited) FY 2020-21
Revenues					
Taxes	\$25,829,491	\$26,194,554	\$27,660,116	\$26,324,290	\$26,217,017
Licenses and permits	734,674	770,085	640,316	480,046	510,291
Intergovernmental ⁽²⁾	391,019	144,430	156,169	219,115	200,897
Charges for services	3,504,020	3,882,565	4,117,618	4,146,350	3,313,989
Use for moneys and property ⁽³⁾	171,103	196,299	526,094	626,164	343,859
Fines and forfeitures	678,805	504,277	460,747	306,953	309,882
Miscellaneous	197,433	309,295	235,460	301,152	113,834
Total revenues	\$31,506,545	\$32,001,505	\$33,796,520	\$32,404,070	\$31,009,769
Expenditures ⁽⁴⁾					
Current:					
General government	\$ 8,243,570	\$10,009,219	\$9,908,802	\$10,508,305	\$12,999,527
Public safety	14,453,826	14,018,674	14,995,600	15,887,677	11,709,783
Community development	2,047,503	2,180,641	2,224,199	1,955,208	1,649,478
Public works	3,406,834	3,401,941	3,297,882	2,898,883	2,252,834
Capital outlay	247,562	367,284	487,927	415,820	34,748
Total expenditures	\$28,399,295	\$29,977,759	\$30,914,410	\$31,665,893	\$28,646,369
Excess (Deficiency) of Revenues over (under)					
expenditures	\$3,107,250	\$2,023,746	\$2,882,110	\$738,177	\$2,363,400
Other financing sources (uses):					
Transfers in	\$300,046	\$381,983	\$159,997	\$151,494	\$(25,547)
Transfers out ⁽⁴⁾	(2,650,019)	(2,635,417)	(2,702,991)	(2,715,035)	43,384
Total other financing sources (uses)	\$(2,349,973)	\$(2,253,434)	\$(2,542,994)	\$(2,563,541)	\$17,837
Net changes in fund balances	\$757,277	\$(229,688)	\$339,116	\$(1,825,364)	\$2,381,237
Fund balances, beginning of year	13,535,570	14,292,847	14,063,159	14,402,275	12,576,911
Prior Period Adjustments	- , ,- ,- , •	7 - 7	,, -,	, - , · -	,- · - ,- - -
Fund balances, end of year	\$14,292,847	\$14,063,159	\$14,402,275	\$12,576,911	\$14,958,148

(1) Excludes amounts of RPTTF Residuals deposited into the Economic Development Fund. See discussion under "Other Long-Term Obligations Payable Out of General Fund - 2014 Bond Lease Payments – RPTTF Residual Revenues" and " – Presentation in City Financial Statements."

(2) Consists primarily of State subventions and reimbursements.

(3) Consists largely of interest earnings and changes in values of investments.

(4) Amounts in "Transfers out" include 2014 Bond Lease Payments, and not listed under "Expenditures." See discussion under "Other Long-Term Obligations Payable Out of General Fund - 2014 Bond Lease Payments – Presentation in City Financial Statements."

Source: City of Montclair audited financial statements for fiscal years 2016-17 through 2019-20. Additional explanations for footnotes and unaudited/estimated figures for fiscal year 2020-21 from City of Montclair Finance Division.

City General Fund Tax Revenues

As shown in Table 3, taxes represent the largest source of the General Fund revenues. The table below shows further details regarding such tax revenues for the fiscal years shown:

Table 4City of MontclairGeneral Fund Tax RevenuesFiscal Years 2016-17 Through 2020-21

FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	(Unaudited) FY 2020-21
\$2,621,880	\$2,762,096	\$2,840,803	\$2,816,784	\$2,634,055
105,410	93,367	103,776	185,454	187,364
3,234,858	3,461,933	3,671,069	3,823,726	4,004,537
13,376,998	13,133,008	14,120,932	12,816,470	12,127,571
255,749	355,007	581,149	328,633	415,820
				1,500,000
185,195	213,496	263,884	287,442	310,319
37,795	47,259	71,803	61,321	65,000
135,466	156,694	94,784	147,288	120,000
729,864	753,039	769,813	767,676	750,000
786,091	790,989	802,854	814,326	700,000
1,709,261	1,778,771	1,693,823	1,623,731	1,677,000
\$23,178,567	\$23,545,659	\$25,014,690	\$23,672,851	\$24,491,666
	\$2,621,880 105,410 3,234,858 13,376,998 255,749 185,195 37,795 135,466 729,864 786,091 1,709,261	\$2,621,880 \$2,762,096 105,410 93,367 3,234,858 3,461,933 13,376,998 13,133,008 255,749 355,007 185,195 213,496 37,795 47,259 135,466 156,694 729,864 753,039 786,091 790,989 1,709,261 1,778,771	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$

(1) Excludes the amount of Measure F Revenues used to pay 2014 Bond Lease Payments. See Other Long-Term Obligations Payable Out of General Fund - 2014 Bond Lease Payments" and Table 1 thereunder.

(2) Collection of Measure L revenues started only in April 2021, after voter approval of the measure in the November 3, 2020 election. See discussion under "Anticipated Primary Source of Fund for 2021 Base Rental Payments: Measure L Revenue."

(3) Payments made previously required to be made the former City of Montclair Redevelopment Agency pursuant to the State's Community Redevelopment Law, but now made from the Redevelopment Property Tax Trust Fund. See "Property Taxes (Ad Valorem and Vehicle In-Lieu Fees) – *RPTTF Residual Revenues*" about redevelopment dissolution.

Source: City of Montclair Finance Division.

Sales, Transaction and Use Taxes

The tax rate for taxable transaction of retails sales and goods in the City is 9.00 percent, consisting of the following components:

Table 5
City of Montclair
Tax Rate on Transaction of Retail Sales and Goods
As of July 1, 2021

Jurisdiction	Rate
State of California	6.00%
County of San Bernardino and County Special Districts	1.25
San Bernardino County Transportation Authority	0.50
City of Montclair - Measure $F^{(1)}$	0.25
City of Montclair - Measure L ⁽²⁾	1.00
Total:	9.00%

(1) Ballot measure approved by voters in 2004. See discussion below.

(2) Ballot measure approved by voters in 2020. See discussion below. Also see "Anticipated Primary Source of Fund for 2021 Base Rental Payments: Measure L Revenues."

Sources: City of Montclair Finance Division, based on information provided by California Department of Tax and Fee Administration

As shown in Table 4, sales tax revenues represent the largest source of the City's General Fund revenues. 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*. In addition, the City's voters approved Measure F in 2004 and Measure L in 2020.

In 2004, the City placed onto the ballot in the November 2, 2004 election, Measure F, for the provision of a transactions and use tax which raised 25 cents on each \$100 retail purchase. Measure F passed with over 63 percent of the votes cast. As discussed in "Other Long-Term Obligations Payable Out of General Fund - 2014 Bond Lease Payments," the City has consistently used Measure F Revenues for payments related to the 2014 Lease Revenue Bonds.

Measure L was approved the voters in November 2020. See discussion under "Anticipated Primary Source of Fund for 2021 Base Rental Payments: Measure L Revenues" regarding the City's intended use of Measure L Revenues for payments related to the 2021 Bonds.

The collection of the sales tax and taxes pursuant to Measure F and Measure L is administered by the California Department of Tax and Fee Administration ("CDTFA"). This function was formerly performed by the State Board of Equalization, but was transferred to the CDTFA pursuant to the Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017. CDTFA charges a fee for its collection and administration of the tax revenues (which fee, as of July 1, 2021, was at 1.9 percent of the tax receipts). Under its procedures, the CDTFA projects receipts of the sales tax and the City Transaction 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, subject to the deduction for the CDTFA fee. 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.

The table below shows the taxable sales within the City by business type for the calendar years shown. The total dollar amount of taxable sale transactions in the City decreased between 2019 and 2020, reflecting the effect of the disruption caused by the COVID-19 pandemic. See "COVID-19 Disruption; City Proactive Measures" and "INTRODUCTION – COVID-19 Pandemic."

Table 6 CITY OF MONTCLAIR Taxable Sales by Business Type (in thousands of dollars) Calendar Years 2017 - 2020

Business Type	2017	2018	2019	2020 ⁽¹⁾
Motor vehicle & parts dealers	\$ 416,937	\$ 398,788	\$ 389,406	\$421,288
Home furnishings & appliance stores	88,295	93,489	79,661	61,860
Building material, garden equipment	15,629	14,281	14,363	13,995
& supplies dealers				
Food & beverage stores	15,733	15,277	15,461	15,600
Gasoline stations	36,470	41,436	34,594	23,988
Clothing & clothing accessories stores	122,502	121,685	117,206	66,881
General merchandise stores	209,371	217,535	232,662	199,435
Food services & drinking places	89,910	93,149	96,953	75,506
Other retail	64,499	65,681	62,374	53,526
Retail & food services subtotal ⁽²⁾	\$1,059,346	\$ 1,061,323	\$1,042,680	\$932,079
All other outlets	156,968	160,546	163,234	142,914
Total all outlets ⁽²⁾	\$1,216,313	\$1,221,869	\$1,205,914	\$1,074,993

(1) Based on preliminary data and not final.

(2) Sum may not equal total due to rounding.

Source: California Department of Tax and Fee Administration (information published on CDTFA website as of June 16, 2021)

Property Taxes (Ad Valorem and Vehicle In-Lieu Fees)

Revenues from property tax constitute a significant source of the City's General Fund revenues. Property tax revenues include *ad valorem* tax revenues, or tax imposed on property based on an assessed value. The City also receives property tax revenues in lieu of Vehicle License Fees ("VLF"). VLF is a state imposed and collected tax on ownership of a registered vehicle. Since the State lowered the VLF rate in the mid-1990s, the State has reimbursed counties and cities for their lost revenue. Before 2004, the reimbursements were made from State general fund revenues. Starting in 2004, the State paid for the lost VLF revenue by redirecting a portion of property taxes originally allocated to the schools to counties and cities, called the VLF swap. Previously, the amounts counties and cities received were based on their populations. Currently, counties' and cities' VLF swap amounts increase annually based on growth in the secured assessed value of property within their boundaries. In addition, see discussion under "Other Long-Term Obligations Payable Out of General Fund - 2014 Bond Lease Payments – *RPTTF Residual Revenues*" regarding RPTTF Residual Revenues.

The tables below show: (i) the assessed value of taxable property in the City and the property tax levies and collections for fiscal years 2016-17 through 2020-21, and (ii) the top ten property owners in the City by fiscal year 2020-21 assessed value. In fiscal year 2020-21,

approximately 57.6 percent of the assessed value was attributable to residential properties, approximately 20.8 percent was attributable to commercial properties and approximately 12.1 percent was attributable to industrial properties.

Table 7CITY OF MONTCLAIRAssessed Value of PropertyFiscal Years 2016-17 Through 2020-21

Fiscal Year	Secured Value	Utility	Unsecured Value	Less: Exemption	Total	Percent Change
2016-17	\$2,862,872,139	\$4,356	\$120,103,539	\$ 25,591,459	\$2,957,388,575	5.52%
2017-18	3,072,644,386	4,356	119,724,900	25,338,814	3,167,034,828	7.09
2018-19	3,269,522,488	4,356	115,699,053	25,064,502	3,360,161,395	6.10
2019-20	3,407,336,331	1,742	118,657,851	24,883,992	3,501,111,932	4.19
2020-21	3,667,263,234	1,742	115,913,214	128,373,892	3,783,178,190	8.06

Source: City of Montclair, based on information available from San Bernardino County Assessor.

Table 8CITY OF MONTCLAIRProperty Tax Levies and Collections⁽¹⁾Fiscal Years 2016-17 Through 2020-21

	_	Collection Within Fiscal Year of Levy			ollection ⁽²⁾ ne 30, 2021)
Fiscal Year	Taxes Levied for Fiscal Year	Amount	Percentage of Levy	Amount	Percentage of Levy
2016-17	\$2,566,258	\$2,509,979	97.81%	\$2,625,212	102.30%
2017-18	2,671,731	2,624,116	98.22	2,771,651	103.74
2018-19	2,770,929	2,709,567	97.79	2,861,113	103.25
2019-20	2,847,857	2,783,272	97.73	2,907,943	102.11
2020-21	2,944,199	2,904,816	98.66	3,053,137	103.70

(1) Excludes property tax revenues that were formerly tax increment revenues and that have been deposited in the Redevelopment Property Tax Trust Fund of the Successor Agency of the Montclair Redevelopment Agency.

(2) Includes collection within fiscal year of levy and in subsequent years.

Source: City of Montclair, based on information available from San Bernardino County Auditor-Controller's Office.

Property Owner	Primary Use Category	Assessed Value (Secured and Unsecured)	% of Assessed Value of All Property in City ⁽¹⁾
5060 Montclair Plaza Lane Owner LLC	Commercial	\$193,756,878	5.12%
4914 Olive Street Properties LLC	Residential	119,234,920	3.15
KW PCCP Montclair LLC	Residential	34,633,485	0.92
Costco Wholesale Corporation	Commercial	23,182,243	0.61
Target Corporation	Miscellaneous	19,861,811	0.53
Montclair Plaza Partners LLC	Commercial	19,150,930	0.51
Montclair Plaza Inc.	Commercial	19,073,469	0.50
Skolem Group LLC	Commercial	17,808,797	0.47
Heather H Jacobs	Commercial	17,592,026	0.47
Macy's California Inc.	Commercial	17,249,175	0.46
	Total:	\$481,543,734	12.73%

Table 9CITY OF MONTCLAIRTop Property Tax Owners by Assessed ValueFiscal Year 2020-21

(1) Based on total assessed value of \$3,783,178,190. See Table 7.

Source: City of Montclair, based on information available from San Bernardino County Assessor.

<u>Proposition 13 Limitations</u>. Article XIIIA of the State of California Constitution imposes limits on annual adjustments to real property assessed values and to the amount of ad valorem tax that may be levied on real property. See "STATE CONSTITUTIONAL LIMITATIONS ON CITY REVENUES AND APPROPRIATIONS."

<u>Tax Levies and Collection</u>. Taxable valuation within the City is established by the County Assessor, except for utility property, which is assessed by the State Board of Equalization. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Effective July 1, 1983, real property that changes ownership or is newly constructed is reassessed at the time the change in ownership occurs or the new construction is completed. If the property is reassessed at a higher value, one or more supplemental tax statements will be added to the annual tax bill. If the property is reassessed at a lower value, the property owner may receive a refund.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. If the first installment is not paid by December 10, a ten percent delinquent penalty is added to any unpaid balance. If the second installment is not paid by April 10, a ten percent penalty plus a charge of \$10 is added to the unpaid balance. Since supplemental tax bills are mailed throughout the year, they may or may not be due or delinquent at the same time as annual tax bills. The same penalties and charges accrue for delinquent supplemental taxes as for delinquent annual taxes.

The County bills and collects the property taxes, and subsequently remits the amount due to the City in installments during the year.

<u>Assessed Value Appeals and Proposition 8 Adjustments</u>. Pursuant to State law, property owners may apply for a reduction of their property tax assessment by filing a written appeal. If resolved in the property owner's favor in whole or in part, any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Section 51 of the California Revenue and Taxation Code permits a reduction (a "Proposition 8 Adjustment") in the assessed value if the full cash value of the property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. During the Great Recession (which began around 2007), the County Assessor's Office initiated proactive reviews of single family homes, condominiums, townhomes, multifamily and commercial and industrial properties, which resulted in Proposition 8 Adjustments for many properties in the County. After a roll reduction is granted under Section 51, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

The assessed values shown in the tables above do not take into account any pending, unresolved assessment appeals.

<u>RPTTF Residual Revenues</u>. As discussed under "Other Long-Term Obligations Payable Out of General Fund - 2014 Bond Lease Payments – *Contemplated Change in Source of Moneys for 2014 Bond Lease Payments*," before 2012, the Former RDA undertook redevelopment of several project areas (the "Project Areas") within the City, pursuant to the State's Community Redevelopment Law (set forth in California Health and Safety Code commencing with Section 33000). Assembly Bill No. X1 26 (enacted in June 2011 as Chapter 5 of Statutes of 2011) statutorily dissolved the Former RDA and all other redevelopment agencies in the State as of February 1, 2012.

Pursuant to Part 1.85 of Division 24 of the California Health and Safety Code (commencing with Section 34170) (the "RDA Dissolution Act"), the Successor Agency to the City of Montclair Redevelopment Agency (the "Successor Agency") was established to wind down the Former RDA's affairs.

The Former RDA received a portion of the property tax revenues collected within each Project Area, known as "tax increment." Such portion of property tax revenues are now deposited into a Redevelopment Property Tax Trust Fund (the "RPTTF") held and administered by the County Auditor-Controller for the Successor Agency. On each June 1 and January 2, the County Auditor-Controller disburses moneys from the RPTTF to the Successor Agency and certain other entities pursuant to the RDA Dissolution Act (including to the Successor Agency for the payment of enforceable obligations). Residual amounts in the RPTTF after such disbursement ("RPTTF Residual Revenues") are distributed to taxing entities, such as the City (in proportion to such taxing entity's share of property tax revenues in the tax rate area).

During fiscal year 2012-13, the City established the "Economic Development Fund" for internal budgeting and accounting purposes. The intent is to deposit the RPTTF Residual Revenues in the Economic Development Fund. Even though, as a matter of State law, moneys in the Economic Development Fund are unrestricted and available for general City operations, the City has maintained an internal policy to set-aside such moneys, separate from other General Fund assets, for economic development projects and programs. The City has used RPTTF Residual Revenues received each fiscal year to, first, pay the portion of the Lease Payments related to the 2014 Lease Revenue Bonds not covered by Measure F Revenues, and then deposit the remaining RPTTF Residual Revenues into the Economic Development Fund - 2014 Bond Lease Payments – *Contemplated Change in Source of Moneys for 2014 Bond Lease Payments*," in view of the economic development that the City anticipates will occur in the next few years and the projected sufficiency of Measure F Revenues, the City contemplates the deposit of all RPTTF Revenues into the Economic Development Fund and the use of Measure F Revenues only for payments relating to the 2014 Lease Revenue Bonds in the future.

Utility Users Tax

Pursuant to Chapter 3.36 of the City's Municipal Code, the City imposes a utility users tax on the consumers of electric, gas, water and telephone services, with certain exceptions for low income and very low income households. The current rate for the utility users tax is 3.89 percent.

Budget Process

The fiscal year of the City begins in July 1 of each year and ends on June 30 of the following year. The City Council approves each year's budget submitted by the City Manager before the beginning of each new fiscal year. The following describes the process that the City has followed during recent years.

In January, Finance Division staff begins reviewing current authorized personnel positions, their allocations to various programs, and their respective funding sources. In late January, the Personnel Services Budget Job Allocation worksheets, listing all current authorized personnel positions, are distributed to the various departments for their review, budgetary changes in personnel allocations, and staffing needs. Once this information is returned to the Finance Division in late February, staff prepares all departmental Personnel Services Budgets. Concurrently, the general City overhead cost information is also compared. In mid-March, the budget packets, including the budget worksheets and the parameters for the development of the budget, are distributed to all departments. During April, all departments return their budget requests to the Finance Division. In early May, the City Manager and key budgetary personnel meet with respective departments during the management departmental budget sessions to review operating budget requests for possible adjustment. Budgetary adjustments are incorporated into the preliminary budget. In June, the City Manager presents the budget to the City Council for their review. The City Council adopts the budget for the upcoming fiscal year by resolution, usually during the second City Council meeting in June.

During the fiscal year, the City Manager is authorized to approve intradepartmental budget changes. Supplemental appropriations, if requested, must be approved by the City Council. However, the City Council has the power to amend the budget at any time during the fiscal year. Each February, a mid-year budget review is conducted and budget adjustments are submitted to the City Council for review and approval. New programs and new appropriations are not usually considered as part of the mid-year budget review. At the end of the fiscal year, all operating budget appropriations lapse. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City Budgets for Fiscal Years 2019-20 through 2021-22

The following shows, with respect to the City's General Fund resources and charges, the respective amounts from: (i) the fiscal year 2019-20 budget, as adopted on June 17, 2019, (ii) actual fiscal year 2019-20 results, (iii) the fiscal year 2020-21 budget, as adopted on June 29, 2020, (iv) actual fiscal year 2020-21 results, and (v) the fiscal year 2021-22 budget, as adopted on June 30, 2021.

Table 10CITY OF MONTCLAIRGeneral Fund Resources and ChargesFiscal Years 2019-20 and 2020-21 Adopted Budgets and Actual and Fiscal Year 2021-22 Budget

	FY 2019-20 Budget - Adopted in June 2019	FY 2019-20 Actual	FY 2020-21 Budget - Adopted in June 2020	FY 2020-21 (unaudited)	FY 2021-22 Budget - Adopted in June 2021
Budgetary beginning fund balance	\$14,402,275	\$14,402,275	\$13,495,754	\$13,495,754	\$12,803,753
Resources (inflow)					
Taxes	\$24,455,000	\$26,324,290	\$21,353,906	\$26,217,017	\$29,794,216
Licenses and permits	628,536	480,046	514,325	510,291	409,325
Intergovernmental	153,200	219,115	549,155	200,897	186,600
Charges for services	4,001,000	4,146,350	3,793,800	3,313,898	3,715,000
Use of money and property	317,000	626,164	274,364	343,859	343,859
Fines and forfeitures	570,400	306,953	470,400	309,882	290,400
Miscellaneous	296,410	301,152	767,060	113,834	607,210
Transfer in	100,000	151,494	1,282,134	(25,547)	100,000
Available (beginning balance + total resources)	\$44,923,821	\$46,957,839	\$42,500,898	\$44,479,885	\$48,249,763
Charges to appropriation (outflow)					
General government	\$ 9,761,329	\$10,508,305	\$12,020,758	\$12,999,527	\$13,187,745
Public safety	15,900,805	15,887,677	12,670,336	11,709,783	13,567,375
Community development	2,186,986	1,955,208	1,836,195	1,649,478	2,228,511
Public works	2,937,536	2,898,883	2,203,491	2,252,834	3,080,611
Capital outlay	34,200	415,820	34,500	34,748	99,350
Transfer out		2,715,035		43,384	858,661
Total charges to appropriations	\$30,820,856	\$34,380,928	\$28,765,280	\$28,689,754	\$33,022,253
Budgetary ending fund balance	\$14,102,965	\$12,576,911	\$13,735,618	\$15,790,131	\$15,227,510

Source: City of Montclair Finance Division.

General Fund Reserves

Within the General Fund, the City has set aside special purpose reserves for identified purposes, in addition to maintaining a general unassigned reserve. This serves to accumulate funding for identified potential liabilities and long-term programs and projects, and thereby minimizes the direct impact on the annual General Fund budget when expenditures are required.

The following table shows, for the various General Fund special purpose reserves: (i) the balances as of June 30, 2021, and (ii) the projected balances as of June 30, 2022 per the adopted 2020-21 budget:

Table 11CITY OF MONTCLAIRGeneral Fund Special Purpose ReservesEstimated as of End of FY 2020-21 and Projected for End of FY 2021-22

	Estimated Unaudited	Projected
	Balance	Balance for
Special Purpose Reserve Description	at June 30, 2021	June 30, 2022
Equipment Replacement	\$1,362,066	\$1,315,000
Self-insurance retention	850,000	850,000
Technology enhancement	286,251	286,251
CalPERS and employee post benefits	2,500,000	2,500,000
Retiree medical liability	560,000	560,000
Unanticipated personal adjustment	700,000	700,000
Building maintenance	600,000	600,000
POB/UAL Amortization ⁽¹⁾	0	558,661
Contingency	125,283	125,283
Total:	\$6,983,600	\$7,495,286

 Establishment of POB/UAL Amortization Reserve authorized by City Council as part of the fiscal year 2021-22 budget. See discussion under "Other Long-Term Obligations Payable Out of General Fund - Pension Obligation Bonds; POB/UAL Amortization Reserve.'

Source: City of Montclair Finance Division.

As of June 30, 2021, in addition to the special purpose reserve amounts indicated above, the City also had \$5.8 million in unassigned General Fund reserve. As part of the adopted fiscal year 2021-22 budget, the City estimated that the General Fund unassigned reserve will be \$8 million by the end of fiscal year 2021-22.

The City Council may make adjustments to the City's practices with respect to General Fund reserves, and may also direct the re-allocation of moneys within these reserves, as it deems necessary or appropriate, at any time. Currently, the City Council has set the following goals for the General Fund unassigned reserve: (i) at least \$6 million and (ii) maintenance at or greater than 25 percent of the annual budget for the operating fund portion of the General Fund. The projected \$8 million General Fund unassigned reserve for the end of fiscal year 2021-22 is equal to approximately 24.95 percent of the total General Fund operating budget for that year.

Investment Policies and Portfolio

Investment of cash in the City's General Fund is subject to the restrictions set forth in the California Government Code Section 53600 *et seq.* The City has adopted an investment policy (the "City Investment Policy") that is consistent with State law. Pursuant to the City Investment Policy, the City Treasurer submits a report of investments to the City Council each month.

The City Investment Policy set forth the following strategy. At least 15 percent of the City portfolio shall be invested in investments that mature within one year. At least 50 percent shall be in investments that mature in no longer than three years. The balance shall be investments that mature no longer than five years. Permitted investments include the Local Agency Investment Fund ("LAIF") (created pursuant to California Government Code Section 16429.1 *et seq.* and administered by the State Treasurer's office), certificates of deposit issued by banks and savings and loans in amounts which are fully insured by the Federal Deposit Insurance Corporation, and other investment permitted under California Government Code Section 53601; provided, that no moneys may be invested in reverse repurchase agreements, and no securities may be purchased on the margin. Furthermore, pursuant to State law, no moneys may be invested in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages.

As of June 30, 2021, the City had the following investment and original maturities. Of the total amount invested as shown below, approximately [36.4] percent represent General Fund moneys.

Table 12				
CITY OF MONTCLAIR				
Investment Portfolio				
as of June 30, 2021				

Investment Type	6 months or less	Total ⁽¹⁾
California LAIF	\$30,798,324	\$30,798,324
First American Government Obligations Fund	2,000,000	2,000,000
Total ⁽¹⁾ :	\$32,798,324	\$32,798,324

(1) Sum may not equal total due to rounding.

Source: City of Montclair Treasurer's Report for Month Ended June 30, 2021.

City Risk Management

The City is a member of the California Insurance Pool Authority ("CIPA"), a joint powers authority formed under the laws of the State. CIPA, a consortium of 13 cities in southern California, was established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. Member cities make payments to CIPA based on underwriting estimates. Additional coverage for general liability claims is maintained through CIPA from a commercial insurer for claims in excess of per claim and annual aggregate amounts

The City is self-insured for workers' compensation claims up to \$500,000 per occurrence. Statutory limits are provided by Safety National above the City and CIPA's combined limit of \$2,000,000.

The City's liability program is self-insured up to \$500,000 per occurrence. CIPA provides \$2,500,000 per occurrence in limits above the City's self-insured retention. Excess limits above \$3,000,000 per occurrence are group purchased by CIPA with limits of \$40,000,000 per member aggregate. Excess carriers include Safety National (\$5,000,000 x \$3,000,000); Allied World Assurance Co. (\$5,000,000 x \$8,000,000); Hallmark Specialty (\$5,000,000 x \$13,000,000); Allied World (\$5,000,000 x \$18,000,000); Gemini (\$5,000,000 x \$23,000,000); Allied World National Assurance (\$10,000,000 x \$28,000,000); Arch (\$5,000,000 x \$35,000,000).

From time to time, the City has been named as a defendant in litigations or become recipient of claims, generally of the nature common to other similar jurisdictions. With respect to the pending lawsuits and claims, the City management believes that, to the extent there will be any unfavorable outcome and a portion of the payment is not covered by insurance, such payment will not materially affect the City's financial position.

As a matter of the City's accounting practice, costs relating to the litigation of claims are charged to expenditures as incurred, and claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Thus, the estimates are based on certain assumptions and assessment of probable outcome. The following table shows estimated claims liabilities at the end of each of fiscal year shown, based on available information and assumptions that the City believes is reasonable.

Table 13 CITY OF MONTCLAIR Estimated Claims Liability as of June 30, 2021

Estimated liability at June 30, 2018	\$2,675,157
Claims	22,135
Claims payments	(647,586)
Estimated liability at June 30, 2019	\$2049,706
Claims	223,156
Claims payments	(362,404)
Estimated liability at June 30, 2020	\$1,910,458
Claims	126,683
Claims payments	(25,196)
Estimated liability at June 30, 2021	\$2,011,945

CITY PENSION AND OPEB PLANS

Pension Plans

General Information Regarding CalPERS Plans

All qualified permanent and probationary City employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan administered by CalPERS. CalPERS is an agent multiple employer public employee retirement system and issues its own comprehensive annual financial report. CalPERS acts as a common investment and administrative agent for participating public entities within the State. A menu of benefit provisions as well as other requirements of the CalPERS program are established by the Public Employees' Retirement Law set forth in the California Government Code (commencing with Section 20000) (the "Retirement Law"). The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (or other local methods). Contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Governor Jerry Brown signed the California Public Employees' Pension Reform Act of 2013 ("PEPRA") into law on September 12, 2012. For non-safety CalPERS participants hired after January 1, 2013 (the "Implementation Date"), PEPRA changes the normal retirement age by increasing the eligibility for the 2 percent age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5 percent to age 67. PEPRA also implements certain other changes to CalPERS including the following: (a) all new participants enrolled in CalPERS after the Implementation Date are required to contribute at least 50 percent of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalPERS is required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100 percent of the federal Social Security contribution and benefit base for members participating in Social Security or 120 percent for CalPERS members not participating in social security.

The Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and be effective on the July 1 following notice of a change in the rate. Funding contributions for the City's Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CalPERS Risk Pools

The Retirement Law allows the CalPERS Board to create risk pools which combine the assets and liabilities of the pension plans of participating public agencies. It is contemplated that such risk sharing pools would help reduce large fluctuations in an individual public agency's retirement contribution rate caused by unexpected demographic events. CalPERS created the first risk pool in 2003. Due to changes made in 2014, CalPERS currently administers two risk pools, one for all miscellaneous groups and one for all safety groups. Participation in either the miscellaneous or safety risk pool is mandatory for public agencies with fewer than 100 active members. Once a plan is in a risk pool, it may not leave and become a stand-alone plan, even if it grows to have more than 100 active members. Pooling does not affect a public agency's ability to contract for additional benefits or reclassify employees.

All of the City's pension plans (the "Plans") – three for miscellaneous employees, three for police safety employees and three for fire safety employees – participate in the applicable CalPERS risk pool.

The tables below show the total and net pension liability, expenses and certain other information of the CalPERS miscellaneous and safety risk pools, based on accounting reports published by CalPERS. The information can be obtained from the "Forms & Publications" page on CalPERS' website: <u>https://www.calpers.ca.gov/page/forms-publications</u>. The reference to the webpage and website, and the two tables below are included for informational purposes only. None of the content of the website is any way incorporated into this Official Statement. The City also makes no representation regarding the accuracy of the information contained therein and in the two tables below.

Table 14 CALPERS MISCELLANEOUS RISK POOL PENSION AMOUNTS AND EXPENSES At June 30 of 2018, 2019 and 2020

	At 6/30/2018	At 6/30/2019	At 6/30/2020
Total pension liability Plan fiduciary net position	\$16,891,153,209 13,122,440,092 \$3,768,713,117	\$17,984,188,264 13,979,687,268 \$4,004,500,996	\$18,920,437,526 14,702,361,183 \$4,218,076,343
Net pension liability	\$5,708,715,117	\$4,004,500,990	\$4,218,070,343
<u>Deferred Outflows of Resources</u> Changes of Assumptions Diff between expected & actual experience	\$429,644,509 144,598,868	\$190,953,116 278,129,471	\$0 217,370,008
Net diff between projected & actual experience earnings on pension plan investments <i>Total deferred outflows of resources</i>	<u>18,631,550</u> \$592,874,927	<u> </u>	<u>125,304,636</u> \$342,674,644
excluding employer specific amounts ⁽¹⁾	φ υγμ ου - 197μη	\$ 10 ,00 2 ,007	<i>фо</i> 12 ,07 1 ,011
Deferred Inflows of Resources			
Changes of Assumptions	(\$105,297,568)	(\$67,691,294)	(\$30,085,020)
Diff between expected & actual experience Net diff between projected & actual investment	(49,206,108)	(21,549,404)	0
earnings on pension plan investments	0	(70,011,075)	0
Total deferred inflows of resources excluding employer specific amount ⁽¹⁾	\$(154,503,676)	(\$159,251,773)	(\$30,085,020)
Plan pension expense	\$584,881,668	\$943,590,814	\$867,712,876

⁽¹⁾ No adjustments have been made for employer specific amounts such as changes in proportion, differences between employer contributions and proportionate share of contributions, and contributions to the Plan subsequent to the measurement date as defined in paragraphs 54, 55, and 57 of GASB 68. Appropriate treatment of such amounts is the responsibility of the employer.

Source: CalPERS GASB 68 Accounting Reports Prepared for Miscellaneous Risk Pool, a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan, for Measurement Dates as of June 30, 2018, June 30, 2019 and June 30, 2020.

Table 15CALPERS SAFETY RISK POOLPENSION AMOUNTS AND EXPENSESAt June 30 of 2018, 2019 and 2020

	At 6/30/2018	At 6/30/2019	At 6/30/2020
Total pension liability	\$22,053,702,155	\$23,442,265,225	\$24,782,493,361
Plan fiduciary net position	16,186,149,467	17,199,726,799	18,120,140,152
Net pension liability	\$5,867,552,688	\$6,242,538,426	\$6,662,353,209
Deferred Outflows of Resources			
Changes of Assumptions	\$575,709,251	\$255,870,778	\$0
Diff between expected & actual experience	126,073,916	407,581,459	516,631,699
Net diff between projected & actual investment	, ,	, ,	, ,
earnings on pension plan investments	39,726,080	0	144,800,981
Total deferred outflows of resources	\$741,509,247	\$663,452,237	\$661,432,680
excluding employer specific amounts $^{(1)}$			
Deferred Inflows of Resources			
Changes of Assumptions	(\$77,673,473)	(\$49,932,947)	(\$22,192,421)
Diff between expected & actual experience	(478,255)	0	0
Net diff between projected & actual investment			
earnings on pension plan investments	0	(85,876,728)	0
Total deferred inflows of resources excluding employer specific amount ⁽¹⁾	(\$78,151,728)	(\$135,809,675)	(\$22,192,421)
Plan pension expense	\$979,582,204	\$1,264,997,744	\$1,246,131,760

(1) No adjustments have been made for employer specific amounts such as changes in proportion, differences between employer contributions and proportionate share of contributions, and contributions to the Plan subsequent to the measurement date as defined in paragraphs 54, 55, and 57 of GASB 68. Appropriate treatment of such amounts is the responsibility of the employer.

Source: CalPERS GASB 68 Accounting Reports Prepared for Safety Risk Pool, a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan, for Measurement Dates as of June 30, 2018, June 30, 2019 and June 30, 2020.

Plans Offered by City

The provisions and benefits in effect at June 30, 2021 for the City's pension plans are summarized below.

17 Inscentine Out				
_	Tier 1	Tier 2	PEPRA	
Hire Date	Before 6/21/2010	On or after 6/21/2010	1/1/2013 and after	
Benefit formula	3.0% @ 60	2.0% @ 60	2.7% @ 57	
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	
Benefit payments	monthly for life	monthly for life	monthly for life	
Retirement age	50	50	50	
Monthly benefits, as a % of eligible compensation	Depends on years of service	Depends on years of service	Depends on years of service	
Required employee contribution rate	8.00%	7.00%	6.25%	
Required employer contribution rate	See Table	e 17 for required employer con	tributions	

Miscellaneous

Safety-Police

	Tier 1	Tier 2	PEPRA
Hire Date	Before 6/27/2005	On or after 6/27/2010	1/1/2013 and after
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	Depends on years of service	Depends on years of service	Depends on years of service
Required employee contribution rate	9.00%	9.00%	11.50%
Required employer contribution rate	See Table	e 17 for required employer con	tributions

	Tier 1	Tier 2	PEPRA
Hire Date	Before 6/27/2005	On or after 6/27/2010	1/1/2013 and after
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	Depends on years of service	Depends on years of service	Depends on years of service
Required employee contribution rate	9.00%	9.00%	12.25%
Required employer contribution rate	See Table	e 17 for required employer con	tributions

Safety-Fire

See information set forth in Note 7 of the City's audited financial statements shown in "APPENDIX B – CITY OF MONTCLAIR FINANCIAL AUDIT REPORT FOR YEAR ENDED JUNE 30, 2020" for details regarding the City's pension liabilities, pension expenses and related deferred outflows and inflows as reported in the financial statements, and additional information regarding actuarial assumptions.

City Plans Funding Status and History, Required Contributions

Around July of each year, CalPERS provides the City reports (each, a "CalPERS Report") of the actuarial valuation (as of June 30 of the calendar year preceding the year of the CalPERS Report) for each of the City's Plans. *The following information is based on information available from CalPERS and the CalPERS Reports. The City has not independently verified the information provided by CalPERS and expresses no opinion regarding the accuracy of such information. CalPERS' actuarial assessments are based on various assumptions (including demographic assumptions and economic assumptions) made by CalPERS, its actuaries, accountants and other consultants. One or more assumptions may not materialize or be changed in the future. The City expresses no opinion regarding the quality of such assumptions and cannot provide any guarantee as to the eventual results.*

Actuarial valuations used in the July 2021 CalPERS Reports were based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflected all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0 percent, which was adopted by the CalPERS Board in December 2016. Other assumptions used in July 2021 CalPERS Report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017. On July 12, 2021, CalPERS announced the discount rate, or assumed rate of return, will drop to 6.8%, from its current level of

7%, due to a double digit (approximately 21.3%) net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the double-digit return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. To the extent actual investment returns differ from the assumed rate of return, the actual contribution requirements for fiscal year 2023-24 will differ from the projected contributions shown on Table 17 below.

The CalPERS Board adopted a new amortization policy effective with this actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on unfunded accrued liability ("UAL") bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers the new amortization policy imposes a maximum amortization period of 15 years for all UAL effective June 30, 2018. The plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan. The impact of this has been reflected in the current valuation results.

The July 2021 CalPERS Reports show the following funding history for the City's Plans (without accounting for prepayments or benefit changes made during any fiscal year):

Valuation Date/Plan	Accrued Liability	Share of Misc or Safety Pool's Market Value of Assets	Plan's Share of Misc or Safety Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2018					
Miscellaneous - 1st Tier Plan	\$89,497,412	\$59,362,697	\$30,134,715	66.3%	\$4,003,921
Miscellaneous - 2nd Tier Plan	951,734	691,671	260,063	72.7	912,614
Miscellaneous - PEPRA Plan	605,282	458,449	146,833	75.7	1,365,704
Safety - Police - 1st Tier Plan	71,217,297	48,518,143	22,699,154	68.1	1,610,271
Safety - Police - 2nd Tier Plan	2,667,540	2,231,722	435,818	83.7	430,202
Safety - Police - PEPRA Plan	914,351	824,606	89,745	90.2	1,332,644
Safety - Fire - 1st Tier Plan	55,621,185	35,699,490	19,921,695	64.2	695,172
Safety - Fire - 2nd Tier Plan	2,667,540	2,231,722	435,818	83.7	430,202
Safety - Fire - PEPRA Plan	238,647	221,020	17,627	92.6	416,531
Total \$/Average %:	\$224,380,988	\$150,239,520	\$74,141,468	67.0%	\$11,197,261
6/30/2019			· · · ·		
Miscellaneous - 1st Tier Plan	\$92,374,617	\$61,034,079	\$31,340,538	66.1%	\$3,718,051
Miscellaneous - 2nd Tier Plan	1,197,914	916,869	281,045	76.5	968,621
Miscellaneous - PEPRA Plan	918,277	750,793	167,484	81.8	1,642,333
Safety - Police - 1st Tier Plan	72,733,009	49,134,687	23,598,322	67.6	1,697,431
Safety - Police - 2nd Tier Plan	3,042,186	2,549,943	492,243	83.8	455,153
Safety - Police - PEPRA Plan	1,218,199	1,080,199	138,000	88.7	1,292,099
Safety - Fire - 1st Tier Plan	55,823,578	35,244,155	20,579,423	63.1	715,537
Safety - Fire - 2nd Tier Plan	3,042,186	2,549,943	492,243	83.8	455,153
Safety - Fire - PEPRA Plan	393,939	360,073	33,866	91.4	574,438
Total \$/Average %:	\$230,743,905	\$153,620,741	\$77,123,164	66.6%	\$11,518,816
6/30/2020					
Miscellaneous - 1st Tier Plan	\$94,472,185	\$61,189,320	\$33,282,865	64.8%	\$3,172,588
Miscellaneous - 2nd Tier Plan	1,485,132	1,162,141	322,991	78.3	794,681
Miscellaneous - PEPRA Plan	1,279,090	1,069,242	209,848	83.6	2,223,043
Safety - Police - 1st Tier Plan	74,235,936	49,115,815	25,120,121	66.2	1,620,820
Safety - Police - 2nd Tier Plan	5,871,010	4,634,454	1,236,556	78.9	498,221
Safety - Police - PEPRA Plan	1,676,423	1,475,257	201,166	88.0	1,551,663
Safety - Fire - 1st Tier Plan	55,610,134	33,991,562	21,618,572	61.1	755,007
Safety - Fire - 2nd Tier Plan	3,459,731	2,869,518	590,213	82.9	472,343
	568,941	513,766	55,175	90.3	543,106
Safety - Fire - PEPRA Plan	508,741	515,700	55,175	90.5	545,100

Table 16CITY OF MONTCLAIRPension Plans Funding History⁽¹⁾As of June 30, 2018, 2019 and 2020 Valuation Dates

(1) Does not account for prepayments or benefit changes made during any fiscal year.

Source: CalPERS Annual Valuation Reports for the respective City of Montclair pension plans, as of June 30 of 2018, 2019, and 2020 dated July 2019, 2020, and 2021 respectively.

The table below show the historic required City contributions for Fiscal Years 2019-20 through 2022-23 and the projected City contributions for fiscal year 2023-24, as reported in the CalPERS Reports. *The projected contributions do not take into account the refunding by the Bonds.* Contributions to fund the pension plan are comprised of two components: (1) Normal Cost, expressed as a percentage of total active payroll with employer and employee contributions payable as part of the regular payroll reporting process; and (2) Amortization of the UAL, expressed as a dollar amount. In the CalPERS reports, "Normal Cost" is defined as the annual cost of service accrual for the upcoming fiscal year for active employees and is intended to be viewed as the long-term contribution rate. The projections are based on various assumptions. Not all assumptions will be realized in any given year. According to the July 2021 CalPERS Reports, the investment earnings at CalPERS have averaged 5.5 percent over the 20 years ending June 30, 2020, yet individual fiscal year returns have ranged from -23.6 percent to +20.7 percent. CalPERS reviews its actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017. CalPERS actuarial assumptions are subject to periodic review and revisions. Actual contributions will be subject to such revisions.

Table 17CITY OF MONTCLAIRCalPERS Plans Employer ContributionsRequired Contributions for Fiscal Years 2019-20 through 2022-23& Projected Contributions for Fiscal Year 2023-24(Before Refunding by the Bonds)

		Projected Contributions ⁽¹⁾			
	2019-20	2020-21	2021-22 ⁽²⁾	2022-23 ⁽²⁾	2023-24 ⁽²⁾
Miscellaneous - 1st Tier Plan					
Normal Cost % UAL Payment	10.917% \$1,958,250	12.660% \$2,044,019	13.16% \$2,207,462	13.86% \$2,405,733	14.6% \$2,578,000
Miscellaneous - 2nd Tier Plan					
Normal Cost % UAL Payment	10.917% \$16,553	11.164% \$17,666	10.54% \$19,675	10.06% \$22,436	9.6% \$25,000
Miscellaneous - PEPRA Plan					
Normal Cost % UAL Payment	10.917% \$9,215	10.878% \$10,142	9.95% \$11,716	9.04% \$14,024	8.3% \$16,000
Safety - Police - 1st Tier Plan					
Normal Cost % UAL Payment	21.927% \$1,484,257	23.674% \$1,663,342	23.71% \$1,911,292	23.75% \$2,145,196	23.8% \$2,293,000
Safety - Police - 2nd Tier Plan					
Normal Cost % UAL Payment	20.073% \$43,118	21.746% \$57,440	21.79% \$76,385	21.84% \$94,542	21.8% \$105,000
Safety - Police - PEPRA Plan					
Normal Cost % UAL Payment	13.034% \$5,121	13.044% \$7,872	13.13% \$11,495	12.78% \$12,853	12.8% \$16,000
Safety - Fire - 1st Tier Plan					
Normal Cost % UAL Payment	23.654% \$1,334,938	25.540% \$1,481,915	25.59% \$1,683,692	25.64% \$1,870,306	25.6% \$1,989,000
Safety - Fire - 2nd Tier Plan					
Normal Cost % UAL Payment	21.748% \$20,007	23.558% \$26,450	23.62% \$35,141	23.68% \$44,147	23.7% \$50,000
Safety - Fire - PEPRA Plan					
Normal Cost % UAL Payment	13.786% \$786	13.884% \$1,496	13.98% \$2,557	13.66% \$3,378	13.7% \$4,500

(1) Assumes 7.00 percent return, but see discussion above regarding certain assumptions used by CalPERS.

(2) Does not take into account refunding of unfunded liability by the Bonds.

Source: CalPERS Annual Valuation Reports for the respective City of Montclair pension plans, as of June 30 of 2017, 2018, 2019, 2020, and 2021

The July 2021 CalPERS Reports reflected statutory changes, regulatory changes and CalPERS Board actions through January 2021. Any subsequent changes or actions, were not reflected.

Information regarding PERS' administration of the plans, actuarial methods assumptions and asset valuation can be obtained from PERS at Lincoln Plaza North, 400 Q Street Sacramento, California 95811 or (888) 225-7377. The comprehensive annual financial reports of PERS are available on PERS' website (*www.calpers.ca.gov*) at California Public Employees' Retirement System - CalPERS. The website reference is for informational purposes only. None of the content of the website is any way incorporated into this Official Statement. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such website or the continued maintenance of such website.

POB/UAL Amortization Reserve

See discussion under "CITY FINANCIAL INFORMATION – Other Long-Term Obligations Payable Out of General Fund - Pension Obligation Bonds; POB/UAL Amortization Reserve" regarding the City's establishment of the POB/UAL Amortization Reserve.

Other Post-Employment Benefits

In addition to the benefits under the respective pension plans, the City provides postemployment benefits ("OPEB") to all eligible miscellaneous and public safety employees through a defined OPEB plan (the "OPEB Plan"). It is a single-employer defined benefit OPEB plan administered by the City. The benefit terms are defined in the agreements or memoranda of understanding between the City and each employee bargaining unit and may be amended by City Council. Currently, substantially all of the City's employees may become eligible for those benefits if the employee retires after 25 years of continuous service to the City under a normal service retirement.

The City is currently funding the OPEB liability on a pay-as-you-go basis. The contribution requirements of OPEB Plan members and the City are established and may be amended by the City Council, and/or the employee bargaining unit. At this time, plan members are not required to make any contributions.

The City's total OPEB liability was measured as of June 30, 2019 and was most recently determined by an actuarial valuation dated June 30, 2018 (the "2018 Actuarial Valuation"). As of the 2018 Actuarial Valuation, a total of 234 persons (consisting of 77 retirees and their spouse, and 157 active employees) were covered by the OPEB Plan. The table below shows the one-year change in total OPEB liability and percentage covered-employee payroll for each of fiscal years shown, measured based on the 2018 Actuarial Valuation.

Table 18CITY OF MONTCLAIRChanges in OPEB Liability and Related RatiosFiscal Years 2018-19, 2019-20, 2020-21 and [2021-22]

	FY 2018-19	FY 2019-20	FY 2020-21 ⁽¹⁾
Total OPEB liability			
Service cost	\$279,017	\$269,472	\$301,328
Interest on total OPEB liability	423,080	449,101	428,974
Changes in assumptions	(363,175)	463,716	1,730,819
Benefit payments, including refunds of employee			
contributions	(531,634)	(553,563)	(571,193)
Net change in total OPEB liability	\$(192,712)	\$628,726	\$1,889,928
Total OPEB liability at beginning of fiscal year	\$11,804,670 ⁽²⁾	\$11,611,958 ⁽³⁾	\$12,240,684 ⁽⁴⁾
Total OPEB liability at end of fiscal year	\$11,611,958 ⁽³⁾	\$12,240,684 ⁽⁴⁾	\$14,130,612
Covered - employee payroll	\$11,361,672	\$12,201,903	\$11,953,134
Total OPEB liability as percentage of covered employee payroll	102.20%	100.32%	118.21%
(1) Unaudited estimated			

(1) Unaudited, estimated.

(2) July 1, 2017 measurement date,

(3) June 30, 2018 measurement date.

(4) June 30, 2019 measurement date.

Source: City of Montclair Financial audit report for fiscal year ended June 30, 2020 – Note 8 and required supplemental information section.

See Note 8 of the City's audited financial statements shown in "APPENDIX B – CITY OF MONTCLAIR FINANCIAL AUDIT REPORT FOR YEAR ENDED JUNE 30, 2020" regarding assumptions used in the actuarial valuation to determine the City's OPEB liability, certain testing of the sensitivity of the assumptions and other details about the City's OPEB obligations.

BONDOWNERS' RISKS

Investment in the Bonds involves elements of risk. The following section describes certain specific risk factors affecting the payment and security of the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors not discussed under this caption will not become material in the future.

Limited Obligations with Respect to 2021 Bonds

The 2021 Bonds will be limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues will consist primarily of Base Rental Payments payable by the City under the Lease Agreement and amounts on deposit from time to time in the funds and accounts held by the Trustee. If for any of the reasons described in this Official Statement, or for any other reason, the Revenues collected under the Lease Agreement are not sufficient to pay debt service on the Outstanding 2021 Bonds under the Indenture, the Authority will not be obligated to utilize any other of its funds, other than certain amounts on deposit in the funds and accounts established under the Indenture, to pay debt service on the 2021 Bonds.

The Authority has no taxing power. The obligation of the City to make Base Rental Payments under the Lease Agreement will not constitute an obligation of the City for which the City has levied or pledged any form of taxation or the City will be obligated to levy or pledge any form of taxation. Neither the 2021 Bonds nor the obligation of the City to make Base Rental Payments under the Lease Agreement will constitute an indebtedness of the City, State or any of its political subdivisions in violation of any constitutional or statutory debt limitations.

Effects from COVID-19 Pandemic

As mentioned under "INTRODUCTION – COVID-19 Pandemic," the COVID-19 pandemic has had a deep effect around the globe. The first cases of COVID-19 in California were confirmed in the end of January 2020. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic.

In the State (including in the City and County), other parts of the United States and many nations, protective measures (including mandatory and voluntary closing or partial closing of non-essential businesses and public venues, and imposition of social distancing measures, limitation of social gatherings of certain sizes) have been imposed. There have been major disruptions in the economy, at the local level as well as globally.

As discussed under "CITY FINANCIAL INFORMATION – COVID-19 Disruption; Proactive Measures," the City expects to be allocated approximately \$9.5 million from ARPA (American Rescue Plan Act of 2021), albeit the use of such moneys will be subject to restrictions set forth in ARPA. In addition, at the direction of City Council, the City has taken various measures during fiscal year 2020-21 and continues to do so, to address the negative impact to the City's General Fund finances. At the end of fiscal year 2020-21, the City had in its General Fund approximately \$5.8 million in unassigned reserves and a total of \$6.9 million in various special purpose reserves. Per the adopted fiscal year 2021-22 budget, the City contemplates achieving approximately \$8 million in unassigned reserves and a total of \$7.5 million in various special purpose reserves in the General Fund at the end of fiscal year 2021-22, if the budget expectations are met.

Throughout 2020, multiple groups in different countries aimed to develop effective vaccines for COVID-19. Between December 2020 and the date of this Official Statement, the FDA approved the emergency use of several different COVID-19 vaccines, and as of August 23, 2021, the FDA gave full approval to the vaccine known as the Pfizer-BioNTech COVID-19 vaccine, now marketed as Comirnaty for the prevention of COVID-19 disease in individuals 16 years of age and older. The vaccine also continues to be available under emergency use authorization, including for individuals 12 through 15 years of age and for the administration of a third dose in certain immunocompromised individuals. Other governments have also approved the use of vaccines within their territories. Vaccine administration has begun in many places, including the State. While, in the United States, the overall new COVID-19 infection rate is lower compared to the peak in December 2020 and January 2021, the trends vary in different countries. Vaccine supplies, vaccination rates and new

COVID-19 variants are among the numerous factors in the continuing reach of the disease in different locations. It is unknown how long the pandemic will continue to affect the global economy and individual's daily lives.

The pandemic has changed behaviors for many – from working from home, social distancing in public spaces, to people's comfort level to participate in activities involving gatherings. Even as the economy re-opens, it is unknown if there will be lingering effects from this experience and what they will be.

Abatement

Pursuant to the Lease Agreement, the obligation of the City to pay Base Rental Payments will be abated as the result of eminent domain or government taking and also during any period in which, by reason of any damage or destruction, there is substantial interference with the use and occupancy of the Leased Property. Such abatement will continue until the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "SECURITY FOR 2021 BONDS - Abatement." The City will be required under the Lease Agreement to obtain and maintain rental interruption insurance in an amount at least equal to the maximum Base Rental Payments coming due and payable during any immediately succeeding 24 month period. Under the Lease Agreement, the City will waive any right to terminate the Lease Agreement by virtue of such damage or destruction. Notwithstanding the provisions of the Lease Agreement specifying the extent of abatement in the event of the City's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law. In the event that the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the Leased Property or a redemption of the 2021 Bonds in whole (see "2021 BONDS - Redemption - Special Mandatory Redemption"), a default on the 2021 Bonds may occur.

Risk of Uninsured Loss

The City will covenant under the Lease Agreement to maintain certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. The Leased Property could be damaged or destroyed due to a casualty for which the Leased Property is uninsured. Additionally, the Leased Property could be the subject of an eminent domain proceeding, resulting in a termination of the Lease Agreement or permanent abatement. See "SECURITY FOR 2021 BONDS – Abatement." There can be no assurance that the providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. There can be no assurances that amounts received as proceeds from insurance or from condemnation of the Lease Agreement will be sufficient to redeem the 2021 Bonds. Apart from the Net Proceeds, the City will have no obligation to expend any funds to repair or replace such damaged or destroyed property. The Lease Agreement will not require the City to continuously maintain such insurance for the Leased Property or any other properties during the term of the Lease Agreement. See "SECURITY FOR 2021 BONDS – Insurance" and " – Use of Net Proceeds in Event of Damage, Destruction, Title Defect and Condemnation."

Limited Recourse on Lease Default; No Acceleration of Base Rental Payments

If an event of default occurs and is continuing under the Lease Agreement, there will be no remedy of acceleration of any Base Rental Payment which has not come due. Upon the occurrence and continuance of any Event of Default under the Lease Agreement, the Trustee, as the Authority's assignee, will have the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property.

If the Trustee does not terminate the Lease Agreement, the Trustee may be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest could prove both expensive and time-consuming.

If the Trustee does not elect to terminate the Lease Agreement, the City will remain liable to pay all Base Rental Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Trustee from the re-letting of the Leased Property will be credited towards the unpaid Base Rental Payments. To the extent that a Leased Property serves essential governmental purposes, a court may determine to not permit such remedy to be exercised. Even if such remedy may be exercised, no assurance can be given that the Trustee could readily relet the Leased Property for rents in an amount sufficient to enable it to pay debt service on the 2021 Bonds in full when due.

City General Fund

The Base Rental Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of, and taxes and other governmental charges levied against, the Leased Property) will be payable from funds lawfully available to the City. A variety of national, state or regional factors, which are beyond the control of the City could reduce the City's General Fund revenues or increase the City's General Fund expenditures. The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the 2021 Bonds. If the amounts which 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, based on the perceived needs of 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. See "STATE CONSTITUTION LIMITATIONS ON CITY REVENUES AND APPROPRIATIONS."

Natural Calamities and Other Disasters; Climate Change

From time to time, the City is subject to natural calamities or other disasters that may adversely affect economic activity in the City and City finances. In addition, many scientists have predicted that on-going global climate change will bring about more severe extreme weather events, such as heat waves and prolonged drought periods.

The City, like most communities in California, is in an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Within the past 150 years, San Bernardino County has been an area of high seismic activity. Four major active or potentially active

earthquake fault zones are found within the general City area: (1) the San Andreas Fault system (active) is oriented in a northwest-southeast direction and passes along the base of the San Bernardino Mountains and through the Cajon Pass; (2) the Cucamonga Fault (potentially active) passes north of the basin in an east-west direction at the foot of the San Gabriel Mountains; (3) the Chino Fault (potentially active) is oriented in a northwest-southeast direction and lies at the eastern base of the Chino Hills; and (4) the San Jacinto Fault (active) runs parallel to the San Andreas Fault, to the south and slightly west of the San Andreas Fault. There are also a number of smaller faults in the area.

According to the United States Federal Emergency Management Agency's flood zone maps (Map No. 06071C), most of the land within the City boundary is classified as Zone X, an area determined to be outside any 500-year floodplain. A very small area (approximately less than one acre in size) along the southwest boundary of the City is classified as Zone A, with no base flood elevation determined. This area is immediately adjacent to the San Antonio Channel, a concrete lined channel constructed by the US Army Corps of Engineers in 1957.

California is, from time to time, subject to spells of dry weather, even severe droughts. The State previously suffered a drought period from 2011 to 2016, during which the State instituted mandatory water restrictions in 2015. With the wet 2016-17 season, then Governor Brown finally declared the drought over in April 2017. However, after California and much of the western portion of the United States experienced a second consecutive dry year, Governor Newsom signed three State of Emergency Proclamations in April, May and July 2021, directing State agencies to take immediate action to bolster drought resilience and prepare for impacts on communities, businesses and ecosystems if dry conditions extend to a third year, and declaring a drought state of emergency for 50 counties in northern and central California. The July 2021 proclamation stated: "[C]limate change is intensifying the impacts of droughts on [the] communities, environment, and economy, and California is in a second consecutive year of dry conditions, resulting in drought in all of the State and extreme or exceptional drought in most of the State." The Governor also signed Executive Order No. N-10-21 on July 8, 2021, calling on all Californians to voluntarily reduce their water use by 15 percent compared to 2020 levels through actions such as reducing landscape irrigation, running dishwashers and washing machines only when full, finding and fixing leaks, installing water-efficient showerheads and taking shorter showers. The Executive Order also require the State Department of Water Resources to monitor hydrologic conditions (such as cumulative precipitation, reservoir storage levels, soil moisture and other metrics), and the State Water Board to monitor progress on voluntary conservation as ongoing indicators of water supply risk that may inform future drought response actions.

The occurrence of natural or other disasters could result in substantial damage to the City and affect the City's economy and finances

Cybersecurity

Like many other public and private entities, the City relies on a complex tiered approach of security products and processes to protect its network environment, from the backend network infrastructure to the end-users desktop computers. These measures provide a strong presence in combating cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks. Cybersecurity incidents could result from unintentional events, or deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's network or systems for the malicious activity, such as misappropriation of information or causing operational disruption and

damage. The City's Information Technology Department ("IT Department") evaluates the City's security infrastructure annually to assess the current hardware and software tools in place, and provide recommendations regarding any further enhancements. The IT Department also conducts periodical testing of the City's information security systems. This testing includes cybersecurity training for City staff, including performing regular intensive intrusion testing to isolate areas of vulnerability. Additionally, ransomware attacks are a favorite tool for hackers to extort significant companies, including local agencies. These threats are ongoing, and ever-evolving and the IT Department takes a proactive approach to prevent any Cybersecurity threats.

Limitations on Remedies and Bankruptcy

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the 2021 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2021 Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2021 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners, and the obligations incurred by the Authority or the City, may become subject to the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of related powers by the federal or State government, if initiated, could subject the Owners 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.

<u>Bankruptcy of the City</u>. Under Chapter 9 of the Bankruptcy Code, which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity; however, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City.

If the City is in a Chapter 9 bankruptcy proceeding, parties may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the bankruptcy court grants permission to take such action. This prohibition may also prevent the Trustee from making payments to the Owners from funds in the Trustee's possession.

In the event of a City bankruptcy filing, the City may be able to borrow additional money that is secured by a lien on any of its property, including the sources of funds for payment to the Trustee of the assigned Base Rental Payments and Additional Payments under the Lease Agreement (including, without limitation, the General Fund of the City and funds deposited in the General Fund), which lien could have priority over the pledges made under the Indenture, so long as the bankruptcy court determines that the rights of the Owners will be adequately protected. The City may also be able to cause some of the Base Rental Payments and Additional Payments to be released to it, free and clear of the lien of the Indenture, so long as the bankruptcy court determines that the rights of the Owners will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the Owners, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the 2021 Bonds, so long as the bankruptcy court determines that the alterations are fair and equitable.

The City is informed that CalPERS (see "CITY FINANCIAL INFORMATION - Pension Plans") has significant unfunded liabilities, and the City is unable to predict what the amount of unfunded liabilities will be in the future or the amount of contributions that the City may be required to make. In a bankruptcy of the City, the amounts of current and, if any, accrued (unpaid) contributions owed to CalPERS or any other pension system (collectively the "Pension Systems"), as well as future material increases in required contributions, reduce the City's ability to pay Base Rental Payments and Additional Payments. Given that municipal pension systems in California are usually administered pursuant to State constitutional provisions and, as applicable, other state or city law, the Pension Systems may take the position, among other possible arguments, that (1) their claims enjoy a priority over all other claims, (2) Pension Systems are instrumentalities of the State and have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and (3) their claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of the City would rule on these matters. In addition, this area of law is unsettled because issues of pension underfunding claim priority, pension contribution enforcement and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, but did not result in appellate rulings giving definitive guidance on these matters.

<u>Recharacterization of the Site Lease and the Lease Agreement as a Financing Arrangement</u>. In bankruptcy proceedings, a bankruptcy court is not required to accept the characterization of an agreement as a "lease," but may look to the economic realities of the transaction as a whole. In the event the City files for bankruptcy, a bankruptcy court could determine that each of the Site Lease and the Lease Agreement is either: (1) an unexpired lease or executory contract (defined below) under Section 365 ("Section 365") of the Bankruptcy Code (a "True Lease") or (2) part of a loan or other financing arrangement secured by a lien (a "Financing Arrangement"). The Bankruptcy Code specifies different treatment for True Leases and Financing Arrangements.

There can be no guarantee that a bankruptcy court would not re-characterize the Site Lease and the Agreement Lease together as a Financing Arrangement. If a bankruptcy court did so, the payment obligations of the City might be substantially reduced. A borrower in a bankruptcy proceeding that has given a security interest in property in connection with a Financing Arrangement may retain such property, provided that it make payments over time giving the lender the economic value of the security interest. If such economic value is less than the balance due on the debt in the Financing Arrangement, the difference is then treated as an unsecured debt. In the case of the City, were the Site Lease and the Lease Agreement to be determined to be part of a Financing Arrangement, the City may be permitted to remain in possession of the Leased Property if it made payments for that right, but the amount required to be paid would be primarily dependent upon the value of the Trustee's security interest under the Indenture, not the payment terms of the Lease Agreement. Therefore, there is a risk that payment will be delayed or reduced from the amounts specified in the Lease Agreement, even if the value of the Trustee's security interest is greater than the amount of the debt owed by the City.

<u>Treatment of the Site Lease and the Lease Agreement as True Leases.</u> Section 365 requires an entity in bankruptcy to make considered decisions either to keep ("assume") or repudiate ("reject") its "executory" contracts (that are as yet incomplete as to both parties' performances), and its leases. Section 365 requires that a lessee under a True Lease must either: (1) assume the lease or the executory contract and fully perform all of its obligations or (2) reject such lease or executory contract and surrender the Leased Property. In the event of a bankruptcy case with respect to the City in which a bankruptcy court determined that the Site Lease and the Lease Agreement were each a True Lease or executory contract, the City would then have these two options.

If it is determined that the Lease Agreement would require the City to cure all monetary defaults (including any unpaid amounts due under the Lease Agreement) and most non-monetary defaults, if any, the City would also have to provide adequate assurance that defaults would not occur in the future.

If the Lease Agreement is treated as a True Lease by a bankruptcy court and the City rejects the Lease Agreement, the rights of the Trustee (and thus the Owners) to receive Base Rental Payments and Additional Payments would be terminated. Under such circumstances, the Owners could suffer substantial losses, and any claim for damages may be significantly limited. Rejection of the Lease Agreement could result in a claim for damages against the City in connection with the 2021 Bonds that would rank as a general unsecured debt of the City. In the event of such rejection of the Lease Agreement, the amount of any corresponding claim may be limited by the cap on landlord claims provided in the Bankruptcy Code, *i.e.*, to the Base Rental Payments and Additional Payments payable under the Lease Agreement (without acceleration) for the greater of one year or 15 percent of the remaining term of the Lease Agreement, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the City surrendered (voluntarily or involuntarily) the Leased Property, plus any unpaid Base Rental Payments and Additional Payments under the Lease Agreement (without acceleration) existing on the earlier of such dates. If the Lease Agreement is treated as a True Lease under Section 365 and rejected in a bankruptcy of the City, the damage claim could be severely limited resulting in reduced funds available to pay the 2021 Bonds. In addition, payments by a lessee within 90 days prior to a bankruptcy filing may be deemed to be "avoidable preferences" under the Bankruptcy Code. Accordingly, payments made pursuant to the Lease Agreement could be subject to recapture in a bankruptcy of the City, subject to certain defenses that may be available to the Authority or the Trustee.

There may be delays in payments with respect to the 2021 Bonds while the bankruptcy court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments with respect to the 2021 Bonds, or result in losses to the Owners. Actions could be taken in a bankruptcy of the City that could adversely affect the exclusion of interest evidenced by the 2021 Bonds from gross income for federal income tax purposes.

Regardless of any specific adverse determinations in a bankruptcy proceeding of the City, the mere commencement of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the 2021 Bonds.

<u>Bankruptcy of the Authority</u>. The Authority could potentially become a debtor in a bankruptcy case. In a bankruptcy case of the Authority, the legal principles and risks discussed above, in connection with a bankruptcy case filed by the City, would apply, with uncertain consequences to the Owners.

Because the Authority is not assigning all its rights under the Site Lease and the Lease Agreement to the Trustee, if the Authority became the subject of a bankruptcy proceeding, the Authority may be able to obtain authorization from the bankruptcy court to sell to a third party all rights under the Site Lease and the Lease Agreement, including the Base Rental Payments and Additional Payments, free and clear of rights of the Trustee and the Owners. While the Trustee (and thus the Owners) would be entitled to receive the value of the Base Rental Payments and Additional Payments as determined by the bankruptcy court, the bankruptcy court's valuation may be substantially different that the value placed on such payments by the Owners, and the Owners may suffer a loss.

The Trustee and the Owners would be prohibited from taking any action to enforce any of their respective rights or remedies against the Authority or its property, unless the permission of the bankruptcy court was first obtained. This could prevent the Trustee from making payments to the Owners from funds in the possession of the Trustee. In addition, the provisions of the transaction documents that require the City to make payments directly to the Trustee, rather than to the Authority, may no longer be enforceable, and all payments may be required to be made to the Authority.

There may be delays in payments on the 2021 Bonds while the bankruptcy court considers any of these issues. There may be other possible effects of a bankruptcy of the Authority that could result in delays or reductions in payments with respect to the 2021 Bonds, or result in losses to the Owners. Actions could be taken in a bankruptcy of the Authority that could adversely affect the exclusion of interest evidenced by the 2021 Bonds from gross income for federal income tax purposes. Regardless of any specific adverse determinations in a bankruptcy proceeding of the Authority, the mere commencement of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the 2021 Bonds.

State Budgets

The State's financial condition and budget policies affect communities and local public agencies throughout California. A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

State budgets are affected by regional, national or even international economic conditions and a multitude of other factors over which the City has no control. The City cannot give any assurances regarding the financial conditions of the State during any period of time. Some of the State's budget

solutions have caused in the past, and may cause in the future, increased financial stress to cities, counties and other local governments by: (i) decreasing local revenues (for example, the property tax, road improvement funding, public safety or other categorical funded initiatives), or (ii) increasing directly or indirectly demand for local programs (such as public safety or indigent health programs). AB X1 26 enacted in 2011, pursuant to which all redevelopment agencies in the State were dissolved, was enacted during the Fiscal Year 2011-12 budget process and was just one example where cities and counties throughout the State were significantly impacted. Even though California has experienced significantly improved fiscal condition during the past few fiscal years, the State is still facing continuing financial challenges and unfunded long-term liabilities.

According to the State Constitution, the Governor is required to propose a budget to the State Legislature by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been frequently breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. In July 2021, the Governor signed the Fiscal Year 2021-22 State budget. The City does not anticipate any material negative adverse effect on the City's finances based on the proposed fiscal year 2021-22 State budget. However, the City can make no predictions regarding the changes, if any, that will be made to the proposed budget before it is finally adopted. The City also cannot predict what measures the State will adopt to respond to any future financial difficulties. The City can provide no guarantees regarding the outcome of future State budget negotiations, the actions that will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures, or the impact that such budgets or actions will have on the City's finances and operations.

Information about the State budget and State spending is available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (<u>www.dof.ca.gov</u>). An analysis of the budget is posted by the Legislative Analyst's Office (<u>www.lao.ca.gov</u>). In addition, various official statements for State-issued bonds, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer's Office (<u>www.treasurer.ca.gov</u>). None of the websites referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such websites or the continued maintenance of such websites by the respective entities.

Future Initiative and Legislation

As discussed herein under "STATE CONSTITUTION LIMITATIONS ON CITY REVENUES AND APPROPRIATIONS," the California's Constitutional initiative process has resulted in the adoption of measures which pose certain limits on the ability of cities and local agencies to generate revenues, through property taxes or otherwise. From time to time, other initiative measures could be adopted, affecting the City's ability to generate revenues and to increase appropriations. No assurances can be given as to the potential impact of any future initiative or legislation on the finances and operations of the City.

Secondary Market

There can be no assurance that there will be a secondary market for the Bonds, or if a secondary market exists, that the 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, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

Loss of Tax Exemption for 2021 Bonds

<u>Compliance by Authority and City</u>. In order to maintain the exclusion of interest on the 2021 Bonds from gross income for federal income tax purposes, the Authority and the City have covenanted to comply with the applicable requirements of Section 148 and certain other sections of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as hedge bonds or private activity bonds, among other things. Interest on the 2021 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2021 Bonds as a result of acts or omissions of the Authority and the City in violation of these covenants. See "CONCLUDING MATTERS – Tax Matters."

<u>Future Legislation or Court Decisions</u>. Legislation affecting the tax exemption of interest on the 2021 Bonds may be considered by the United States Congress and the State legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the 2021 Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2021 Bonds will not have an adverse effect on the tax exemption of interest on the 2021 Bonds or the market value of the 2021 Bonds.

<u>IRS Audit of Tax-Exempt Bonds</u>. The Internal Revenue Service conducts random and targeted audits of tax-exempt bond issues. It is possible that the 2021 Bonds will be selected for audit by the Internal Revenue Service. It is possible that the market value of the 2021 Bonds might be affected as a result of such an audit of the 2021 Bonds or by an audit of similar bonds.

STATE CONSTITUTIONAL LIMITATIONS ON CITY REVENUES AND APPROPRIATIONS

State Initiative Measures Generally

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Voters have exercised this power through the adoption of Proposition 13 ("Article XIIIA") and similar measures, some of which are discussed below. Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease Agreement.

Property Tax Limitations – Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly referred to as "Proposition 13" or the "Jarvis-Gann Initiative") to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.

Article XIIIA further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative that exempts from the one percent limitation any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amended Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

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

In the November 2020 election, Proposition 19 was approved by the voters to further amend Article XIIIA, such that it would permit eligible homeowners to transfer tax assessments anywhere in the State, narrow existing special rules for inherited properties, and broaden the scope of triggers for reassessment of properties. Proposition 19 provides that any additional revenues and net savings resulting from the ballot measure would be allocated to fire protection services and reimbursing local governments for taxation-related changes.

Article XIIIA Implementing Legislation

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based on their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25 percent of market value, which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. Unless otherwise noted, all taxable property value included in this Official Statement (unless noted differently) is shown at 100 percent of market value and all tax rates reflect the \$1 per \$100 of taxable value.

Challenges to Article XIIIA

California trial and appellate courts have upheld the constitutionality of Article XIIIA's assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, upheld the constitutionality of Article XIIIA's tax assessment system. The City cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the City's receipt of property tax revenues should a future decision hold unconstitutional the method of assessing property.

Appropriations Limitations - Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. Article XIIIB limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978-79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Revenues received in excess of the appropriations limit must be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the "proceeds of taxes" levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and

appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Section 7910 of the California Government Code requires the City to adopt a formal appropriations limit for each fiscal year. At or around the time of the City's adoption of its annual budget for an upcoming fiscal year, the City Council establishes the appropriations limit for such fiscal year, which does not exceed the appropriation limit.

Propositions 218 and 26 - Article XIIIC and Article XIIID

On November 5, 1996, California voters approved Proposition 218, "the Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution, providing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

Provisions of Article XIIIC (i) require taxes for general governmental purposes to be submitted to the electorate and approved by a majority vote, and taxes for specific purposes, even if deposited into the General Fund, to be submitted to the electorate and approved by two-thirds vote, (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be submitted to the electorate and approved by majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIIID that affect the ability of the City to fund certain services or programs that it may be required or choose to fund include (ii) adding notice, hearing, protest and, in some cases, voter approval requirements for finding individualized benefits associated with such levies.

On November 2, 2010, California voters approved Proposition 26, the "Supermajority Vote to Pass New Taxes and Fees Act." Relevant to local governments, Proposition 26 amended Article XIIIC of the California Constitution by adding an expansive definition for the term "tax," which previously was not defined under the California Constitution. As a result, Proposition 26 requires a local government to obtain two-thirds voter approval for many fees, charges and levies that a local government was previously authorized to adopt by a majority vote of its legislative body. Specifically, Proposition 26 defines a "tax" as any levy, charge, or exaction of any kind imposed by a local government except those enumerated in seven specified exceptions, as follows:

- (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

- (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.
- (4) A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.
- (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII.D.

In the event that charges included in the definition of a "tax" in Article XIIIC cannot be appropriately increased, the City may have to choose whether to reduce or eliminate the service financed by such taxes or finance such service from its General Fund. Further, no assurance can be given that the City mayor will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

The foregoing discussion of Propositions 218 and 26 should not be considered an exhaustive or authoritative treatment of the provisions of Propositions 218 and 26 or the possible effects of Propositions 218 and 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Propositions 218 and 26 may impact the City's ability to make Rental Payments. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity related to these issues. The City does not believe any of the fees or charges constituting City General Fund revenues are imposed in violation of Propositions 218 or 26.

Proposition 62

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

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the State Legislature in connection with the State Budget Act for fiscal year 2004-05 and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal year 2004-05 and 2005-06. Proposition 1A provided that beginning in fiscal year 2008-09, the State was permitted to shift to schools and community colleges up to eight percent of local government property tax revenues, if: (i) the amount was to be repaid, with interest, within three years, (ii) the Governor proclaimed that the shift is needed due to a severe state financial hardship, (iii) the shift was approved by two-thirds of both houses and certain other conditions are met, and (iv) such a shift may not occur more than twice in any 10-year period. Proposition 1A also contained other restrictions on the State's ability to redirect property tax revenues for local governments or 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 and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the vehicle license fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State 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 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A with respect to the State government's ability to redirect moneys on which local governments depend as their revenue sources. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues, even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes.

Future Initiatives

From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and appropriations.

AUTHORITY

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code and a Joint Exercise of Powers Agreement, dated as of September 1, 2014, by and between the City and the Montclair Housing Authority. The governing commission of the Authority is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the

financing of certain public improvements and to issue the 2021 Bonds under the Bond Law. The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of each such entity are not debts or obligations of the other entity.

CONCLUDING MATTERS

No Litigation Affecting Bonds

To the Authority's and the City's knowledge, there is no litigation pending or threatened to restrain or enjoin the issuance, execution or delivery of the 2021 Bonds, to contest the validity of the 2021 Bonds, the Indenture, the Site Lease, the Lease Agreement or any proceedings of the City or the Authority with respect thereto. In the opinion of the Authority, there is no lawsuit or claim pending against the Authority which will materially impair the Authority's ability to enter into the Indenture or restrain or enjoin the collection of Revenues as contemplated therein. In the opinion of the City, there is no lawsuit or claim pending against the City which will materially impair the City which will materially impair the City ability to enter into the Lease Agreement or restrain or enjoin the payment of Base Rental Payments.

Continuing Disclosure

The City has undertaken in a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of Owners and beneficial owners of the Bonds to provide certain financial information relating to the City and other data by not later than nine months after the close of each fiscal year (which currently would be March 31, with the fiscal year ending on each June 30), commencing with the report for the 2020-21 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices will be filed by the City or its Dissemination Agent on behalf of the City, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." This undertaking has been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

A failure by the City to comply with the provisions of the Continuing Disclosure Certificate is not an event of default under the Indenture (although the Owners and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Continuing Disclosure Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the City to comply with the provisions of the Continuing Disclosure Certificate may adversely affect the marketability of the Bonds on the secondary market.

Before the printing of this Official Statement, the Underwriter conducted an independent review (the "Review") of the City's continuing disclosure filings during the past five years. The Review concluded that the City complied with its continuing disclosure obligations in all material respects during the period examined.

In 2014, the City Council adopted Resolution No. 14-3054 which among other things, approved a set of continuing disclosure procedures. On [September 20], 2021, the City Council adopted a Resolution adopting updated continuing disclosure procedures, which reflect changes to the Rule since 2014.

Legal Matters

All of the legal proceedings in connection with the authorization and issuance of the 2021 Bonds are subject to the approval of Nixon Peabody LLP, Bond Counsel. Bond Counsel's final approving opinion with respect to the 2021 Bonds will be substantially in the form set forth in Appendix D of this Official Statement. Certain matters with respect to this Official Statement will be considered on behalf of the City by Richards, Watson & Gershon, A Professional Corporation, in its capacity as Disclosure Counsel. Certain legal matters will also be passed upon for the City by Robbins & Holdaway, in its capacity as City Attorney. Certain legal matters will also be passed upon for the Underwriter, by Kutak Rock LLP, as Underwriter's Counsel.

Tax Matters

Federal Income Taxes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2021 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2021 Bonds. Pursuant to the Indenture and a Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the City and the Authority have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2021 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the City and the Authority have made certain representations and certifications in the Indenture, the financing agreements and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the City and the Authority described above, interest on the 2021 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel, is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

State Taxes.

Nixon Peabody LLP, Bond Counsel, is also of the opinion that, under existing statutes, interest on the 2021 Bonds is exempt from personal income taxes of the State of California. Nixon Peabody LLP, Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the 2021 Bonds nor as to the taxability of the 2021 Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Discount.

Bond Counsel, is further of the opinion that the excess of the principal amount of a maturity of the 2021 Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium.

2021 Bonds sold at prices in excess of their principal amounts are "Premium Bonds." An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2021 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters.

Ownership of the 2021 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions, and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2021 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2021 Bonds may be subject to backup withholding if such

interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Nixon Peabody LLP, Bond Counsel, is not rendering any opinion as to any Federal tax matters other than those described in its opinion attached as part of APPENDIX D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2021 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events.

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2021 Bonds for Federal or state income tax purposes, and thus on the value or marketability of the 2021 Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2021 Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2021 Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any changes in law on the 2021 Bonds.

Nixon Peabody LLP, Bond Counsel, has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2021 Bonds may affect the tax status of interest on the 2021 Bonds. Nixon Peabody LLP, Bond Counsel, expresses no opinion as to any Federal, state or local tax law consequences with respect to the 2021 Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

Municipal Advisor

The City has retained Urban Futures, Inc., Tustin, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2021 Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other securities public or otherwise.

Underwriting

Pursuant to a Bond Purchase Agreement (the "Purchase Agreement"), Hilltop Securities Inc., the Underwriter, has agreed, subject to certain conditions, to purchase the 2021 Bonds at a purchase price of \$______ (which is equal to the principal amount of the Bonds, [plus/less] a [net] original issue [premium/discount] of \$______, and less an Underwriter's discount of \$______). The Purchase Agreement provides that the Underwriter will purchase all of the 2021 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter intends to offer the 2021 Bonds to the public initially at the prices set forth on the inside cover of this Official Statement, which prices may subsequently change without any requirement of prior notice.

Rating

S&P Global Ratings ("S&P") has assigned a rating of "____" to the 2021 Bonds. S&P's rating reflects only the views of S&P and any explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely, if in S&P's judgment, circumstances so warrant. Other than as described in the Continuing Disclosure Certificate, the Authority and the City take no responsibility regarding either to bring to the attention of the Owners of the 2021 Bonds any revision, suspension or withdrawal of such rating or to oppose any such revision or withdrawal. Any such downward, suspension, revision or withdrawal of the ratings may have an adverse effect on the market price of the 2021 Bonds.

Miscellaneous

All of the preceding descriptions and summaries of the 2021 Bonds, the Indenture, the Site Lease, the Lease Agreement, other applicable agreements, legislation and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2021 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

MONTCLAIR PUBLIC FINANCING AUTHORITY

By:___

Executive Director

CITY OF MONTCLAIR

By:___

City Manager

APPENDIX A

SUPPLEMENTAL INFORMATION ABOUT CITY OF MONTCLAIR

The following information concerning the City of Montclair ("City") and the surrounding area is included only for the purpose of supplying general information regarding the community.

Population

The following table shows the estimated population growth for the City, the County and the State of California for the years shown.

City of Montclair City, County and State Population Growth⁽¹⁾ Calendar Years 2000, 2010 and 2017 through 2021

Calendar Year	City of Montclair	% Change from Prior Period	County of San Bernardino	% Change from Prior Period	State of California	% Change from Prior Period
2000	32,797		1,701,374		33,721,583	_
2010	36,628	11.68%	2,033,141	19.50%	37,223,900	10.39%
2017	39,047	6.60	2,139,520	5.23	39,352,398	5.72
2018	39,223	0.45	2,150,017	0.49	39,519,535	0.42
2019	39,498	0.70	2,165,876	0.74	39,605,361	0.22
2020	39,501	0.01	2,175,424	0.44	39,648,938	0.11
2021	39,598	0.25	2,175,909	0.02	39,466,855	-0.46

(1) As of January 1 of each year, with 2010 census benchmark.

Source: State of California Department of Finance.

Construction Activity

The table below shows the number of construction permits issued in the City and the related values for the years shown.

City of Montclair Construction Permits and Valuation Fiscal Years 2014-15 through 2018-19

Permits Issued	Valuation
778	50,133,766
689	68,317,503
744	57,558,937
720	27,585,328
756	20,533,249
	778 689 744 720

Source: City of Montclair.

Employment

According to the State of California Employment Development Department, the [May] 2021 preliminary, estimated unemployment rates for the City, the County and the State were [6.1 percent, 7.3 percent and 7.9 percent], respectively. As discussed in the forepart of this Official Statement (see "INTRODUCTION – COVID-19 Pandemic," "CITY FINANCIAL INFORMATION" and "BONDOWNERS' RISKS – Effects from COVID-19 Pandemic"), the COVID-19 pandemic and the various measures taken to protect public health have caused major disruptions to the local, national and global economy. As the economy re-opens, the City anticipates that the employment statistics will improve relative to the 2020 calendar year.

City of Montclair City, County and State Employment Statistics Calendar Years 2016 through 2020⁽¹⁾

		City		County	State
Year	Labor Force	Employed	Unemployment Rate	Unemployment Rate	Unemployment Rate
2016	18,600	17,600	5.1%	5.8%	5.5%
2017	18,800	18,000	4.2	4.9	4.8
2018	19,100	18,400	3.6	4.1	4.2
2019	19,300	18,700	3.1	3.8	4.0
$2020^{(2)}$	19,500	17,800	9.1	9.4	10.1

(1) Not seasonally adjusted. March 2019 benchmark for years 2016-2019 data. March 2000 benchmark for year 2020 data.

(2) See "INTRODUCTION – COVID-19 Pandemic" and "BONDOWNERS' RISKS – Effects from COVID-19 Pandemic" regarding economic disruptions caused by COVID-19 pandemic.

Source: State of California, Employment Development Department.

The following table lists the major employers within the City and their estimated number of employees:

City of Montclair Largest Employers (as of June 30, 2021)

			Estimated # of
	Company	Product or Service	Employees
1.	Ontario-Montclair School District	School District- Service	2,465
2.	Chaffey Joint Union High School District	School District- Service	2,010
3.	Montclair Plaza (all stores)	Retail- Product	2,000
4.	Montclair Hospital Medical Center	Medical- Service	410
5.	City of Montclair	Local Government	381
6.	Target	Retail- Product	230
7.	Metro Motorplex Auto Dealerships (Acura, Honda & Nissan)	Sales- Product	220
8.	Costco	Retail- Product	200
9	Best Buy (including Best Buy Outlet)	Retail- Product	130
10.	STG Auto Group of Montclair	Sales- Product	100

Source: City of Montclair.

Median Household Income

The following table shows the estimated median household income for the City, the County, the State and the United States for the years shown.

Year	City	County	State	U.S.
2015	\$49,366	\$53,433	\$61,818	\$53,889
2016	50,374	54,469	63,783	55,322
2017	54,192	57,156	67,169	57,652
2018	58,012	60,164	71,228	60,293
2019	62,024	63,362	75,235	62,843

City of Montclair, Orange County, California and the United States Estimated Median Household Income Calendar Years 2015 through 2019

Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates.

Community Services

The City is a full-service City with a police and fire department. The City's Public Works Department provides inspections, traffic safety, building maintenance, street maintenance, including maintaining 78.16 acres in 13 parks. The City's Human Services Department staff administers recreational programs for residents of all ages, provides professional medical and mental health services, health education, early childhood education, operates a variety of senior citizen programs including daily meal service, and coordinates involvement with various community groups, such as social service agencies, mental health clinics, medical liaisons and law enforcement groups.

Located in and around the Civic Center are The Alma Hofman Park, a youth center and a senior center. Located in Alma Hofman Park is the Montclair Splash Pad, a 1,963-square-foot splash pad which is a zero-depth aquatic recreational feature that contains ground-mounted elements that spray water when activated by motion sensors connected to each of the individual elements and a skate park on Benito Street.

APPENDIX B

CITY OF MONTCLAIR FINANCIAL AUDIT REPORT FOR YEAR ENDED JUNE 30, 2020

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Bond Counsel proposes to render its final approving opinion in substantially the following form:

[Delivery Date]

Montclair Public Financing Authority Montclair, California

City of Montclair Montclair, California

\$_____ MONTCLAIR PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS SERIES 2021A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Montclair Public Financing Authority (the "Authority") in connection with the issuance of <u>aggregate</u> principal amount of its Lease Revenue Bonds, Series 2021A (the "Bonds"), issued pursuant to an Indenture, dated as of <u>1</u>, 2021 (the "Indenture"), by and among the Authority, the City of Montclair (the "City") and U.S. Bank, National Association, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meaning ascribed to such term as set forth in the Indenture.

As Bond Counsel, we have examined copies, certified to us as being true and complete, of the Indenture, the Lease Agreement, dated as of _______ 1, 2021 (the "Lease Agreement"), between the City and the Authority, the Site Lease, dated as of _______ 1, 2021, (the "Site Lease"), between the Authority and the City, the Assignment Agreement, dated as of _______ 1, 2021 (the "Assignment Agreement"), between the Authority and the Trustee, the Tax Certificate, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Authority, the City and the Trustee, certificates of the Authority, the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto. The Lease Agreement, the Site Lease, the Indenture and the Assignment Agreement are collectively referred to herein as the "Legal Documents."

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

- 1. The Bonds constitute the valid and binding limited obligations of the Authority.
- 2. The Indenture has been duly executed and delivered by, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legally valid and binding obligation of, the Authority, enforceable in accordance with its terms. The Indenture establishes a valid lien on and a pledge of the Revenues (as defined in the Indenture) for the security of the Bonds. Enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally, the exercise of judicial discretion, the application of equitable principles if equitable remedies are sought and limitations on remedies against counties in the State of California.
- 3. The Lease Agreement, the Site Lease and the Assignment Agreement have been duly executed and delivered by, and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legally valid and binding obligations of, the City (except with respect to the Assignment Agreement) and the Authority, enforceable in accordance with their terms. Enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally, the exercise of judicial discretion, the application of equitable principles if equitable remedies are sought and limitations on remedies against counties in the State of California.
- 4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture, the Lease Agreement, and the Tax Certificate, the Authority and the City, as applicable, have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City, as applicable, have made certain representations and certifications in the Indenture, the Lease Agreement, and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2 and 3 above are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Legal Documents, and we express no opinion on the laws of any jurisdiction other than the State of California and the United States of America.

Except as stated in paragraphs 4 and 5, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of any offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has ended as of the date hereof, and we disclaim any obligation to update this letter.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate"), dated October__, 2021, is executed and delivered by the City of Montclair (the "City") in connection with the issuance by the Montclair Public Financing Authority of its Lease Revenue Bonds, Series 2021A, in the aggregate principal amount of \$_____ (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of October 1, 2021, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The City covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

Section 2. <u>Definitions</u>. In addition to the definitions set forth in the Official Statement (defined below, 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" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean initially U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system located at <u>http://www.emma.msrb.org</u>, as the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule, or such other successor repository site as prescribed by the MSRB.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any successor thereto.

"Official Statement" shall mean the final Official Statement, dated ______, 2021, relating to the Bonds.

"Participating Underwriter" shall mean Hilltop Securities Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2 12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

Section 3. <u>Provisions of Annual Reports</u>.

(a) The City shall, or shall cause the Dissemination Agent to, no later than nine months after the close of the City's fiscal year (which currently will be March 31 of each year based on a June 30 end of fiscal year), commencing with the report for the 2020-21 fiscal year, provide to the MSRB, via EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 date required above for the filing of the Annual Report 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).

(b) Not later than 15 business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent 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 first sentence of this subsection (b). If requested by the Dissemination Agent, the City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall in a timely manner send a notice to the MSRB, in such form as prescribed or acceptable to MSRB.

(d) The Dissemination Agent (if other than the City) shall, if and to the extent, the City has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the most recently completed fiscal year. Such audited financial statements shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, as may be further modified by applicable state law. If such 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 audited financial statements customarily used by the City, and

the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof:

- (i) Tables 2-9 of the Official Statement;
- (ii) the then currently outstanding principal amount of the Bonds; and

(iii) a list of then outstanding bonds, lease and other long-term obligations incurred by the City that are payable from the General Fund.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above for inclusion in the Annual Report may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been available to the public on EMMA or filed with the SEC. The City shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given to the MSRB, via EMMA, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten business days after the occurrence of such Listed Event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties; <u>provided</u>, it is hereby acknowledged that, at the issuance date of the Bonds, there is no debt service reserve established or required under the governing documents for the Bonds;
- (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 Bond owners, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (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 a trustee, if material;
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- (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.

(For Listed Events listed in Section 5(a)(15) and (16), "financial obligation" has such meaning as set forth in the Rule which, as of the date of this Disclosure Certificate, includes: (i) a debt obligation; (ii) a 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) a guarantee of (i) or (ii); <u>provided</u> that municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule is not a "financial obligation" for this purpose.)

(b) The Dissemination Agent (if different from the City) shall, within one business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a)(1), (3), (4), (5), (6), (9), (11), (12) or (16), or (8) with respect to tender offers, inform the City of the occurrence of such event. In any case, as soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the City shall, or shall cause the Dissemination Agent

to, file in a timely manner, not in excess of ten business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent (if different from the City) shall, within one business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (2), (7), (10), (13), (14), (15) or (8) with respect to bond calls, inform the City of the occurrence of such event and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d). So long as the Trustee also serves as the Dissemination Agent, "knowledge" means the actual knowledge at the corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture. The Dissemination Agent (if different from the City) shall have no responsibility to determine the materiality of any of the listed events.

(d) Whenever the City obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (10), (13), (14), (15) or (8) with respect to bond calls, the City shall as soon as possible, in order to meet the ten business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the City determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

Section 6. <u>Termination of Reporting Obligation</u>. 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(b); <u>provided</u>, that this requirement shall be deemed satisfied by the filing of a notice of defeasance or full redemption pursuant to Section 5(b).

Section 7. <u>Dissemination Agent</u>. The initial Dissemination Agent shall be the City. From time to time, the City may appoint a different Dissemination Agent to assist it in carrying out its obligations (or designate itself as the Dissemination Agent) under this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the City and the Trustee. The City may replace the Dissemination Agent with or without cause.

Section 8. <u>Amendment</u>; <u>Waiver</u>. 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 the City, 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 affecting the Bonds either (i) is approved by holders of the affected 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 such 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. For purposes of this paragraph, "impact" has the meaning as that word is used in the letter from the staff of the Securities and Exchange Commission to the National Association of Bond Lawyers dated June 23, 1995.

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 the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

Section 9. <u>Additional Information</u>. 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 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 10. <u>Default</u>. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any 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 or the Dissemination Agent, as the case may be, 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 or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. If the Dissemination Agent is not the City, 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 the disclosure of information pursuant to this Disclosure Certificate or 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 (acting in such capacity and not as other role) shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent (if different than the City) 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. 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 Holders, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. <u>Beneficiaries</u>. 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.

IN WITNESS WHEREOF, the City has caused its duly authorized officer to execute and deliver this Certificate on the date first written above.

CITY OF MONTCLAIR

By: _____

City Manager

APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof. The City give no assurances that (i) DTC, the Direct and Indirect Participants or others will distribute payments of principal, premium (if any) or interest with respect to the 2021 Bonds paid to DTC or its nominee as, the registered owner, to the Beneficial Owners, (ii) such entities will distribute redemption notices or other notices, to the Beneficial Owners, or (iii) an error or delay relating thereto will not occur.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2021 Bonds. The 2021 Bonds 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 certificate will be issued for each maturity of the 2021 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating: 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 DTCC | Financial Market Infrastructure & Post-Trade Services Provider (www.dtcc.com).

Purchases of 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 Bond ("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 2021 Bonds 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 the 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all 2021 Bonds 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 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Bonds 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.

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.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within a maturity 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMD Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any) and interest payments on the 2021 Bonds 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 the City or the Trustee, 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, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any) and interest payments with respect to the 2021 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2021 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2021 Bond certificates will be printed and delivered in accordance with the provisions of the Indenture.

Exhibit 1 2021 Infrastructure Bond Project List

Project Description	Estimated Design Cost	Right of Way Acquisition Cost	Estimated Construction Cost	Project Management Cost	Project Notes
1. Arrow Highway Pavement Rehabilitation between Monte Vista Avenue and Mills Avenue	\$125,000	None	\$1,250,000	None	Continuation of Arrow Highway Rehabilitation Program between Central Avenue and Monte Vista Avenue – Project does not include median construction. Includes installation of fiber optic cable/conduit.
2. Benson Avenue Pavement and Median Rehabilitation.	\$200,000	None	\$2,000,000	None	Project extends from Holt Boulevard to City's northern border and includes rehabilitation of medians north of the I-10 Freeway. Includes installation of fiber optic cable/conduit.
3. Central Avenue Median/Pavement Rehabilitation, Phase II – approximately 250 feet south of the I-10 Freeway to the City's north boundary.	See item "12" under Median/Street Improvements	None	\$4,025,000	\$350,000	Continuation of Phase I Central Avenue Median/Street Rehabilitation Program from Phillips Street to approximately 250 feet south of the I-10 Freeway. Phase II includes installation of recycled water line and installation of fiber optic cable/conduit.
4. Holt Boulevard Pavement Rehabilitation (gaps) and Median plant pallet improvements.	\$200,000	None	\$2,000,000	None	Fills in gaps on Holt Boulevard that were not completed in recent pavement rehabilitation projects. Improve plant pallet on medians.
5. Mills Avenue Median/Pavement Rehabilitation between Holt Boulevard and Moreno Street. Project includes new curb, gutter and sidewalk installation, and improvements to four properties on east side of Mills Avenue.	\$100,000	\$400,000	\$2,500,000	\$350,000	Project includes north and south lanes, from Holt Boulevard to Moreno Street. ROW acquisition would be from four properties (9595, 9587, 9583 and 9575 Mills Avenue). Includes installation of fiber optic cable/conduit.
6. Mission Boulevard Pavement Rehabilitation (gaps) and Median plant pallet improvements.	\$250,000	None	\$2,500,000	None	Fills in gaps on Mission Blvd that were not completed in recent pavement rehab projects. Improve plant pallet on medians.
7. Monte Vista Avenue Widening between Benito Street and San Bernardino Street. Project includes new curb, gutter, and sidewalk, ROW acquisition and property improvements on west side of Monte Vista Avenue to widen street.	\$1,500,000	\$2,500,000	\$500,000	None	Monte Vista Avenue GSP and widening of I-10 Freeway Monte Vista Ave Bridge will significantly increase traffic volume on Monte Vista Avenue. Monte Vista Avenue between Benito and San Bernardino Streets bottlenecks to one Iane each direction. Project would acquire Iand from 15 properties (9762, 9772, 9784, 9794, 9802, 9814, 9826, 9836, 9846, 9858, 9868, 9878 and 9888 Monte Vista Avenue, 4890 Rosewood Street, and 4891 San Bernardino Street) on west side of Monte Vista Avenue to widen street and improve north-south traffic flow.

Exhibit 1 2021 Infrastructure Bond Project List

Project Description	Estimated Design Cost	Right of Way Acquisition Cost	Estimated Construction Cost	Project Management Cost	Project Notes
8. Monte Vista Avenue Median/Pavement Rehabilitation from Holt Boulevard to north City border.	See item "12" under Median/Street Improvements	See item "7" under Median/Street Improvements	\$3,850,000	\$350,000	Coordinate project with Monte Vista Avenue Pavement Rehabilitation between Benito Street and San Bernardino Street. Includes installation of fiber optic cable/conduit.
9. Palo Verde Street Pavement Rehabilitation, between Monte Vista Avenue and Central Avenue, and median plant pallet improvements.	\$85,000	None	\$850,000	None	Includes installation of fiber optic cable/conduit.
10. Richton Street Pavement Rehabilitation	\$85,000	None	\$850,000	None	Includes installation of fiber optic cable/conduit.
11. Street Striping-Citywide	\$35,000	None	\$350,000	None	Restriping program includes thermoplastic and color safe traffic marking paint products.
12. Design work for Moreno Street between Central Avenue and Monte Vista Avenue; La Rambla (Montclair Place); Huntington Street extension (north end of Vulcan property) from Claremont Boulevard in City of Claremont to Monte Vista Avenue; Arrow Highway between Monte Vista Avenue and Mills Avenue; Central Avenue, north of the I-10 Freeway; and Monte Vista Avenue north of the I-10 Freeway	\$300,000				Project includes design work for medians, street alignments, and complete street program. Moreno Street improvements will be completed by Vulcan site developer Trammel Crowe. La Rambla improvements will be completed by developers for projects adjacent to La Rambla. Developers to reimburse for design-related costs for La Rambla and Huntington Street. See items "3" and "7" under Median/Street Improvements
13. Moreno Street Median and Pavement Rehabilitation, between Central Avenue and Monte Vista Avenue.	See item "12" under Median/Street Improvements		\$4,000,000		Project includes narrowing of Moreno Street, addition of medians, and implementation of a complete streets program.
14. Zone 5 Street Rehabilitation	\$400,000		\$4,000,000		Project completes City residential street repaving program.
15. Alleyway improvement program.	\$300,000	None	\$3,000,000	None	Rehabilitates designated alleys in the City in need of drainage improvements and pavement rehabilitation.
Subtotal	\$3,580,000	\$2,900,000	\$31,675,000	\$1,050,000	

APPRAISAL REPORT

Market Value – Montclair Parks

City of Montclair Ownership Eleven (11) City-Owned Properties City of Montclair, California

Prepared For

City of Montclair c/o Mark Easter, Esq. Best Best & Krieger, LLP 3390 University Avenue, 5th Floor Riverside, California 92501

Prepared by

Thompson & Thompson Real Estate Valuation and Consulting, Inc. 55 East Huntington Drive, Suite 238 Arcadia, California 91006

Effective Date of the Appraisal (i.e. Date of Value) August 5, 2021

> Date of Report August 26, 2021

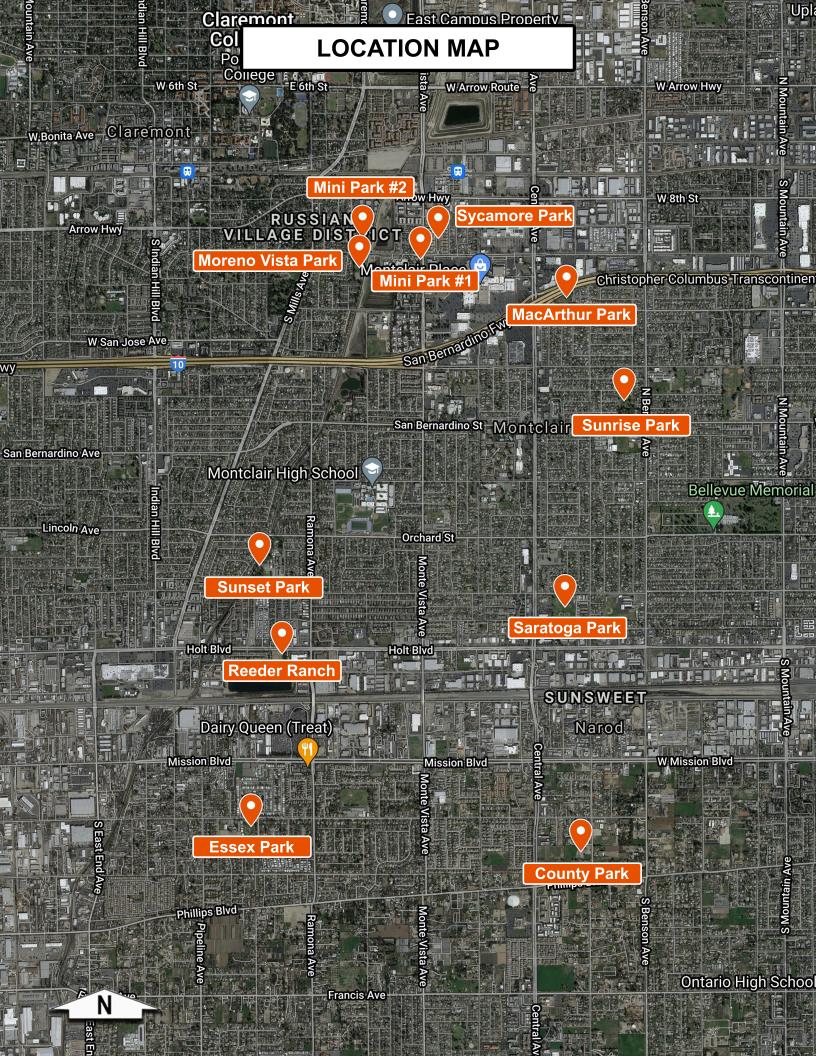


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REAL ESTATE VALUATION AND CONSULTING

55 E. HUNTINGTON DRIVE, SUITE 238 | ARCADIA, CALIFORNIA 91006 www.thompsonvaluation.com | Phone: 626.317.5158 | Fax: 626.317.5168

August 26, 2021

No. 19021

City of Montclair c/o Mark Easter, Esq. Best Best & Krieger, LLP 3390 University Avenue, 5th Floor Riverside, California 92501

Re: Appraisal Report Market Value – Montclair Parks City of Montclair Ownership Eleven (11) City-Owned Properties City of Montclair, California 91763

Dear Mr. Easter:

At your request, the above referenced properties have been personally inspected and appraised for the purpose of estimating the market value as of current date for asset management and budgetary purposes for the City of Montclair and its legal counsel. The intended use of this appraisal is for asset management and budgetary purposes for the City of Montclair.

Please be advised that an Appraisal Report has been completed and the report is submitted herewith in compliance with the, Uniform Standards of Professional Appraisal Practice (USPAP). The final report is submitted via electronic "pdf" to the clients address provided. The description and analysis of the above property are provided in the body of this report.

The depth of discussion contained in this report is specific to the client's needs and for the intended use as stated in this report. Thompson & Thompson is not responsible for unauthorized use of this report.

The investigation and analyses are contained in the attached summary report which describes the properties appraised, the limiting conditions upon which the value opinions are premised and other considerations which support the conclusions.

City of Montclair c/o Mark Easter, Esq. Best Best & Krieger, LLP August 26, 2021

The fee simple market value of the subject properties, as of August 5, 2021, based upon the highest and best use analysis developed herein is:

Subject No.	Park Name	Value Estimate
1	Essex Park	\$ 4,257,000
2	MacArthur Park	\$ 3,439,000
3	Mini Park #1	\$ 568,000
4	Mini Park #2	\$ 79,000
5	Moreno Vista Park	\$ 1,740,000
6	Saratoga Park	\$16,797,000
7	Sunrise Park	\$ 3,344,000
8	Sunset Park	\$ 9,739,000
9	Sycamore Park	\$ 2,009,000
10	Reeder Ranch	\$ 1,710,000
11	County Park	\$ 5,425,000
	Total	\$49,107,000

FORTY NINE MILLION ONE HUNDRED SEVEN THOUSAND DOLLARS \$49,107,000

This report is subject to the assumptions and limiting conditions contained on pages 4 through 6 inclusive.

City of Montclair c/o Mark Easter, Esq. Best Best & Krieger, LLP August 26, 2021

This letter must remain attached to the report, which contains 41 pages plus related exhibits, in order for the value opinion set forth to be considered valid.

Respectfully submitted, THOMPSON & THOMPSON

Brodford Thompson

Bradford Thompson, MAI, AI-GRS, SR/WA State of California Certificate No. AG002282 bthompson@thompsonvaluation.com

A

Scott J. Thompson, MAI, SR/WA State of California Certificate No. AG044322 sthompson@thompsonvaluation.com

BT/SJT:co

The following statements, assumptions, and considerations are offered as a basis for this particular appraisal report.

- **Factual information** presented in this report has been furnished by or obtained from sources which are considered reliable. While the data is believed to be correct, it cannot be guaranteed.
- It is assumed that the **legal description and title** are good and that the subject ownership is free and clear of all encumbrances, except as may be detailed herein.
- A **land survey** was not made by the appraiser(s); while the dimensions and areas shown and/or referred to herein are assumed to be correct, property boundaries and locations of any improvements, are not to be construed as being based upon a survey for which the appraiser(s) are responsible. Where land dimensions or areas were shown on prepared maps, they were used. Where areas or dimensions were not shown, they were scaled from the prepared maps and are subject to scaling error.
- The appraiser(s) assume no responsibility for **hidden** or **unapparent conditions** of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for arranging for engineering studies that may be required to discover them.
- The **final value** estimate reflects market value of the **fee simple estate.**
- The effective date of this appraisal (i.e. date of value) is August 5, 2021.
- This report is made for the **exclusive use** of the client as indicated as the addressee on the letter of transmittal.
- This appraisal is <u>not</u> to be used for real estate syndicate(s), real estate investment trusts or limited partnerships that utilizes the appraisal report or any information contained therein, to solicit investors or limited partners.
- It is assumed that there is **full compliance** with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- It is assumed that all applicable **zoning** and **use regulations and restrictions** have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.

- The properties are appraised assuming that all **required licenses**, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.
- The **value premises** cited are foundational and basic to the values reported herein and the right is reserved to revise and/or rescind the appraisal opinions in the event the conditions are modified to any extent.
- **Testimony** or attendance in a court of law is not required by reason of this appraisal with reference to the property in question without a prior arrangement as to compensation and scheduling.
- The **liability** of Thompson & Thompson is limited to the amount of the fee. The firm and appraiser(s) preparing this report are not responsible for erroneous information provided by others.
- **Indemnification** The appraiser(s) are not necessary parties in any inquiry or judicial proceedings. They will not be called upon to testify in any litigation or other proceeding arising out of their duties in this matter. If they are compelled to incur court costs, attorneys' fees or other out-of-pocket expenses in connection with court proceedings, such costs or expenses together with appraisers' usual hourly per diem applicable for their professional services for study, preparation, testimony or travel will be paid by the party (or parties) who acts to bring any suit requiring a judicial proceeding.
- It is the **client's responsibility** to **read** and to **inform** the appraiser(s) of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.
- No one other than the **appraiser(s) signing** this report has prepared the analyses, conclusions, and opinions concerning real estate that are set forth in this appraisal.
- The appraiser(s) made an external personal inspection of the subject properties. The term "property inspection" as used in this appraisal refers to the appraisers visit to the properties and is not to be construed as a detailed physical inspection of the type performed by a certified or licensed building inspector. The appraiser(s) are not experts in the field and not qualified to perform such inspections. Should such an inspection be required the client is advised to hire an expert in this field.
- This report in its entirety is **Copyright 2021** by Thompson & Thompson, a California Corporation. All rights of reproduction are prohibited unless permission is granted in writing.

- This is an **Appraisal Report** which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. The Appraisal Report does not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Thompson & Thompson is not responsible for unauthorized use of this report.
- The presence of **hazardous substances** such as petroleum products, sub-surface toxins, or other potentially hazardous materials may affect the value of the property. During the property inspections no obvious hazardous materials were observed. The appraiser(s), however, are not qualified to detect such substances and we assume no responsibility for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. The value conclusion reflects the fair market value, "clean" to regulatory standards.
- The appraiser(s) assume that the **condition of the properties** on the date of the value estimate has not changed from the condition on the date of the property inspections by the appraiser(s).
- A copy of the Preliminary Title Report, prepared by First American Title Insurance Company, dated July 21, 2021, is contained in the Addenda. The report reflect various **exceptions to title** insurance coverage, these exceptions do not appear to have a material negative affect on the value estimate unless specifically noted within the Appraisal Report.

We certify that, to the best of our knowledge and belief;

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We further certify that we have no present or prospective interest in the properties that are the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- We have not performed any appraisal services regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- A personal inspection of the subject properties was made by Cole Thompson on June 29, 2021 and by Scott J. Thompson, MAI, SR/WA on August 5, 2021. The effective date of this Appraisal Report (i.e. date of value) is August 5, 2021.

- As of the date of this report, I, Bradford Thompson, MAI, AI-GRS, SR/WA have completed the continuing education program for Designated Members of the Appraisal Institute and I have fulfilled the requirements of the State of California Bureau of Real Estate Appraisers for General Certification.
- As of the date of this report, I, Scott J. Thompson, MAI, SR/WA have completed the continuing education program for Designated Members of the Appraisal Institute and I have fulfilled the requirements of the State of California Bureau of Real Estate Appraisers for General Certification.
- Cole Thompson assisted the appraisers with property inspections and market data research. No one else has provided real property appraisal assistance to the person(s) signing this certification.

Gradford Thommon

Bradford Thompson, MAI, AI-GRS, SR/WA *State of California Certificate No. AG002282*

Scott J. Thompson, MAI, SR/WA State of California Certificate No. AG044322

INTRODUCTION

INTRODUCTION

Report Type

This is an **Appraisal Report** which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a), of the Uniform Standards of Professional Appraisal Practice (USPAP), for an Appraisal Report. The report represents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion in this report is specific to the needs of the client and for the intended use stated below. Thompson & Thompson is not responsible for unauthorized use of this report.

Date of Value

The effective date of this Appraisal Report (date of value) is August 5, 2021.

Purpose of the Appraisal

The purpose of this appraisal is to estimating the market value of the identified subject properties, as of current date, for asset management and budgetary purposes for the City of Montclair and its legal counsel.

Intended Use/Users of the Appraisal

This report is intended for use by the City of Montclair and its legal counsel/consultants for asset management and budgetary purposes. This report is privileged and confidential. Use of this report by others is not intended by the appraiser(s) unless permission is received from the appraiser(s).

Property Type and Location

The subject property includes eleven (11) city-owned properties and future park properties, which have been appraised as eleven (11) separate economic units or larger parcels. The land uses include public parks and future/potential parks. A summary chart setting forth the physical characteristics of each of the larger parcels is on an accompanying page.

Scope of the Assignment

The scope of this assignment includes the following:

- 1. An inspection of the subject properties conducted on June 29, 2021 by Cole Thompson;
- An inspection of the subject properties conducted on August 5, 2021 by Scott Thompson, MAI, SR/WA
- 3. Interviews with representatives from the City of Montclair Community Development Department, to research General Plan, Zoning, and other ordinances for the subject properties, and to consider allowable uses for the subject properties;
- 4. Interviews with various local agents and services for information concerning current market demand for similar properties, including land and improved properties; buyers, sellers, representatives were also contacted to verify information when possible; and researched recent market trends;
- 5. The accumulation, inspection, and analysis of land sales to apply the Sales Comparison Approaches to estimate the market value of the subject properties (underlying land value), where applicable;
- 6. Application of the Cost Approach to estimate the market value of the subject improvements; and
- 7. Prepare an Appraisal Report.

Report Format

Because this appraisal pertains to eleven (11) separate properties, the report has been divided as follows:

- An introduction inclusive of areas common to all eleven (11) properties;
- A presentation of the market data utilized to value the subject properties underlying land value; and
- Eleven (11) separate tabbed sections, one for each property valuation, summarizing the physical characteristics of each subject property followed by a valuation analysis and conclusion. For ease of reference the subject properties have been presented in numerical order.¹

^{1/} Within each section we have included a copy of the aerial photograph, plat map, subject property photographs, and valuation summary.

Definitions

Market Value: The following definition of market value is used by agencies that regulate federal financial institutions in the United States.

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1. Buyer and seller are typically motivated;
- 2. Both parties are well informed or well advised, and acting in what they consider their best interests;
- 3. A reasonable time is allowed for exposure in the open market;
- 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.³

Easement: An easement is an interest in real estate that transfers use, but not ownership, of a portion of an owner's property. Easements usually permit a specific portion of a property to be used for identified purposes, such as access to an adjoining property or as the location of a certain underground utility. Although surface easements are the most common, subterranean and overhead easements are used for public utilities, fiber-optic cables, subways, and bridges.⁴

Replacement Cost: The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.⁵

^{2/} The Dictionary of Real Estate Appraisal, Appraisal Institute, Sixth Edition, 2015, Page 49

^{3/} *Ibid.*, Page 90

^{4/} The Appraisal of Real Estate, Appraisal Institute, Fifteenth Edition, 2020, Page 64

^{5/} The Dictionary of Real Estate Appraisal, Appraisal Institute, Sixth Edition, 2015, Page 197

Depreciation: In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.⁶

Useful Life: The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed.⁷

Exposure Time: The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. <u>Comment:</u> Exposure time is a retrospective estimate based upon the analysis of past events assuming a competitive and open market.⁸

^{6/} The Dictionary of Real Estate Appraisal, Appraisal Institute, Sixth Edition, 2015, Page 63

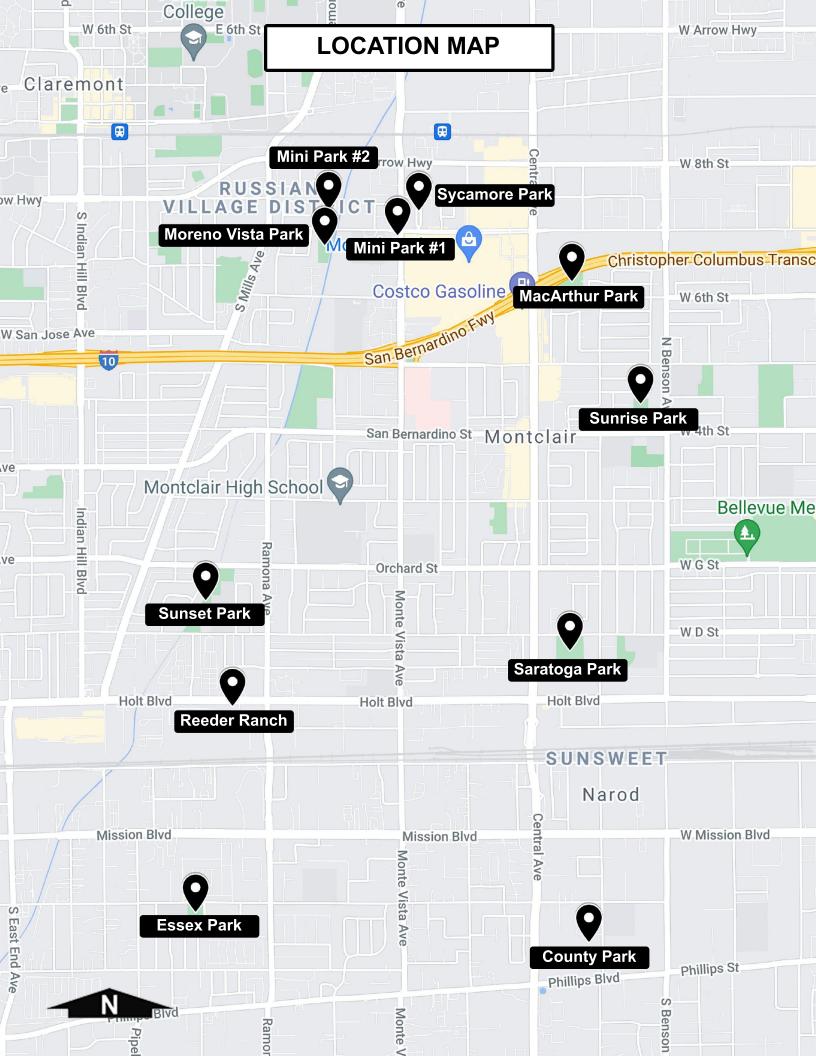
^{7/} Ibid, Page 241

^{8/} Ibid, Page 83

City of Montclair

Montclair was little more than grazing land and a watering hole until the early 1900's when a developer named a 1,000 acre land tract "Monte Vista." Settlers moved to the 10-, 20-, and 40- acre lots when it opened in 1907. Buildings in this period included a large orange-packing house, a drygoods store, a hotel, and a church. It was during this period that the Narod area emerged as a contributor in Southern California's citrus industry. As powerful as the Gold Rush but without the popular image of quick riches, the citrus boom was driven by a mutant navel orange plant that found Southern California weather and soil to its liking. Within 20 years of introduction, the navel orange had transformed the deserts of Southern California into a Mediterranean oasis dotted with orange groves and lemon orchards. The completion of three rail lines through the region opened Southern California's citrus market to the rest of the country. One of the first navel orange growers, George H. Reeder lived his entire life at the Reeder family home on Holt Avenue. The Reeder's continued providing quality navel oranges to the area's packing houses until the industry was hit hard after WWII by smog, soaring real estate prices, a burgeoning population, freeways, and vandalism. Today, the bulk of California citrus crops are located in the Central Valley with only a few thousand grove acres remaining in the Inland Empire. The Monte Vista Land Tract experienced a population boom after WWII with people replacing citrus groves. Veterans receiving GI benefits moved into the area to buy up the abundant supply of housing.

As the population grew, local residents opposed to annexation formed an association with the goal of incorporation. The City of Monte Vista's incorporation was voted on and approved in 1956. The city had a population of 8,008, and covered 4.2 square miles at the time. The name of the city was changed to "Montclair" in 1958 because of a Northern Californian town having the same name, "Monte Vista." In response to early financial uncertainty, land developers approached the City with plans for a regional shopping center to strengthen its tax base to pay for the increasing services provided to residents such as police and fire fighters. During its first year of operation (1968-1969), the mall increased the City's sales tax revenues by more than 30%. Today, Montclair Place continues to be one of the most successful regional shopping centers in Southern California. Montclair Place contains approximately 1.2 million square feet, has 992,233 residents within 10-miles with an average household income of \$99,692 within that radius. Today, the City of Montclair occupies a power position between Los Angeles County and the Inland Empire. The city is located squarely between LA and the IE, on the Interstate 10 and I-210 travel corridor, and just west of Ontario International Airport. Montclair benefits from both the dynamic business environment of Los Angeles and the fast-growing markets of the Inland Empire. This premier location is the foundation for Montclair's established position as a retail and business powerhouse and regional community leader. Well over 50 years after incorporation, Montclair is a thriving full-service City with a



population representative of the ethnic and cultural diversity that is characteristic of Southern California. Although the early years of Montclair were not without its growing pains, the small city has proven it can survive, prosper, and be a leader in the Inland Empire.

Market Conditions

Multi-Family: Proximity to Los Angeles and a prevalence of office jobs, shopping centers, and entertainment venues help drive steady demand to the Greater Ontario/Rancho Cucamonga submarket. Vacancies tend to be below the national average, as demand for apartments in the submarket was improving prior to Covid and has further accelerated since mid-March 2020. The vacancy rate now stands at 2.0%, compared to 4.2% a year ago. One example is Arte Apartments in Rancho Cucamonga, which finished delivering in August 2019 with 182 units and reached 90% occupancy by January 2021. Housing in the submarket is primarily composed of single-family homes and the housing shortage that plagues Southern California helps drive local demand. Home prices have a large range in the submarket, with median prices by city ranging from about \$500,000 in Ontario to \$750,000 in Chino Hills.

While some renters may consider a home purchase, they often compete with households priced out of Los Angeles where housing inventory under \$600,000 is scarce. The pandemic has had a notable impact on rental demand and as a result, rents have grown by 17.1% over the past 12 months. The initial response to the pandemic was the opposite and rents were briefly lower in early 2020, however rents started recovering towards the end of May and sharply accelerated through March 2021-a large contract to typical years when rents increase the most during the second quarter. Limited supply growth will benefit landlords and annual rent growth is projected to remain above 5% through 2023 in CoStar's Base Case Scenario. Construction levels have cooled, and supply growth is expected to remain low over the next two years. Alta Upland (201 units) opened in April 2021 and no large apartment community is under construction in the submarket. Sales volume fell during the past 12 months as very few trades closed after mid-March. Investor sentiment may be turning as two large trades have closed in recent months; The Crossings of Chino Hills for \$130 million or \$375,700 per unit, and Carmel at the Colony in Ontario which was valued at \$33 million or \$231,225 per unit. Cap rates in the Greater Ontario/Rancho Cucamonga submarkets are the lowest in the IE, as the market cap rate is currently 4.2%. Price appreciation has been strong since 2010, but outsized rent growth in the past 12 months is driving price growth to new record highs. The CoStar market price grew by 13.8% year-over-year as of May 2021.

Retail: According to CoStar's Upland/Montclair Retail Submarket Report from June 2021, retail vacancies in Upland/Montclair were above the five-year average during the second quarter, and they trended upwards in the past year. The rate also sites above the overall market's average. Meanwhile, retail rents have risen by 3.9% in the past 12 months. As for the pipeline, development has been relatively steady over the past few years in Upland/Montclair, and that trend has continued in the

second quarter. Upland/Montclair is a very liquid investment market, characterized by heavy trading, but investment activity cooled off in the past year.

Investors have been especially active in the capital markets in Upland/Montclair, making it one of the most heavily traded submarkets in the region over the past several years. Annual sales volume has averaged \$73.8 million over the past five years, including a 12-month high of \$117 million over that stretch. The recorded transaction volume here reached \$39.5 million in the past year. Market pricing, based on the estimated price movement of all properties in the submarket, sat at \$254 per square foot during the second quarter of 2021. That market price is up compared to the second quarter from last year, and pricing is still ahead of pricing across the Inland Empire. Market cap rates have shrunk since last year to 6.1%, the lower capitalization rate in the past five years, but is still similar to the metro. There is still uncertainty in the capital markets thanks to the coronavirus pandemic. Investor appetite has been restrained, as buyers and lenders remain on the sidelines to maintain caution during this economic period. The coronavirus' impact on the market may lead to lasting structural changes within the retail sector. E-commerce has flourished amid the pandemic, and spending and shopping habits may be permanently altered, particularly as brick and mortar retailers may be unable to adapt to the changing environment.

VALUATION - INTRODUCTION

Outline of the Problem

The purpose of this appraisal is to express an opinion of the market values of the subject properties, as of the August 5, 2021 date of value.

Approaches to Value

The Sales Comparison Approach measures the value of the subject by comparing it to recent sales of properties with similar physical characteristics and utility. While no two properties are the same, units of comparison such as the price per square foot of land area and price per unit can be extracted from the sales. Adjustments are then made to the sales to account for differences in elements of comparison, such as property rights conveyed, market condition, financing, location, and physical characteristics. The sales comparison approach has been employed to estimate the subject property underlying land values only. There is virtually no market sales data for improved public parks and/or and governmental properties.

In this instance the Cost approach is applicable since the subject buildings are for the most part special purpose facilities. The Cost approach is used to develop an opinion of market value for special-purpose or specialty properties that are not frequently exchanged in the market. Buyers of these properties often measure the price they will pay for an existing building against the cost to build minus depreciation or the cost to purchase an existing structure and make any necessary modifications. The replacement cost new, including direct and indirect costs, has been estimated using Marshall & Swift Valuation, Marshall & Swift Commercial Estimator, and/or market derived historical costs. Accrued depreciation is subtracted to arrive at an estimate of contributory value of the improvements, or depreciated replacement costs. The estimated value of the site as if vacant is then added to the depreciated replacement costs to arrive at a value indication by the Cost Approach.

The Income Capitalization Approach is not applicable in this situation, the subject properties are not income producing.

Sales Comparison Approach - Land Valuation

In order to develop an estimate of the subject property underlying land values, the prominent surrounding land uses and/or land use designations were observed. Based on the most likely use of each subject parcel if sold to a private party, the land category and land value estimate has been analyzed and identified.

The market value of each site has been estimated through direct sales comparison of the subject with sales of similar parcels of vacant land. Units of comparison are helpful to make comparisons of the larger parcel and similar sale properties. Units of comparison are defined as "... the components into which a property may be divided for purposes of comparison ..."⁹ The market dictates the units of comparison used, and the units vary with property type. Typically the unit of comparison for vacant land is the price per square foot.

The Sales Comparison Approach to value is based on the principle of substitution. This valuation procedure measures the value of the subject property by comparing it to recent sales of properties with similar physical characteristics and functional utility. The assumption is that the value of the subject property is established by the prices paid for competitive properties which exhibit similar quality and utility.

Supply and demand are also important factors in the Sales Comparison Approach. The real estate market tends to fluctuate as a result of the supply of and demand for certain types of properties. When supply is low and demand high, prices tend to increase. Conversely, when supply exceeds demand for one type of property, prices tend to stabilize and decline. General economic conditions influence the market for investment grade real estate. Economic downturns in the national, regional, or local economies often lead to investor uncertainties regarding risks and returns, further leading to property values declining due to rental concessions and extended vacancy periods.

Land Data

In the Sales Comparison Approach, a survey of comparable land sales was conducted with the primary focus on low-medium density residential land, medium-high residential land, and commercial/business park land sales in the Montclair area including Upland, Pomona, Claremont, Ontario, and surrounding unincorporated areas.

The data were analyzed and compared with the subject to account for differences in elements of comparison, including property rights, financing, conditions of sale, market conditions (time), location, and physical characteristics. In this appraisal report, the land valuation is based on the land value per square foot, which is the typical unit of comparison for this type and size property, as a vacant site available for development to its highest and best use. Our data investigation for the purpose of finding sales and listings of comparable vacant land parcels involved searching the public records, private real estate information services, as well as interviewing brokers (Dataquick, CoStar Comps Inc., Multiple Listing Service, AIR CRE, and Win2Data).

^{9/} The Dictionary of Real Estate Appraisal, Appraisal Institute, Third Edition 1993, Page 380

Low Density Residential Land: The sales data that were considered transacted between December 2019 and March 2021, and range in size from 6,710 to 79,879 square feet. In all, a total of eight (7) data items were used as a basis for the analysis. The unit values range from \$10.50 to \$35.62 per square foot with an average of \$23.92 per square foot and were purchased for various single-family to low-density residential development purposes. The reconciled unit value applied to the subject parcels within this category is **\$26 per square foot** of land area. A sales summary and location map are provided in the Market Data section along with photographs.

Medium-High Density Residential Land: The sales data that were considered transacted between August 2018 and March 2021, and range in size from 18,091 to 320,344 square feet. In all, a total of six (6) data items were used as a basis for the analysis. The unit values range from \$16.33 to \$28.54 per square foot with an average of \$23.82 per square foot and were purchased for various medium to high-density residential development purposes. The reconciled unit value applied to the subject parcels within this category is **\$25 per square foot** of land area A sales summary and location map are provided in the Market Data section along with photographs.

Commercial -Mixed Use Land: The sales data that were considered transacted between July 2018 and March 2021, and range in size from 7,313 to 53,340 square feet. In all, a total of ten (10) data items were used as a basis for the analysis. The unit values range from \$14.94 to \$31.23 per square foot with an average of \$22.03 per square foot and were purchased for various commercial and/or mixed-use development purposes. The reconciled unit value applied to the subject parcels within this category is **\$23 per square foot** of land area. A sales summary and location map are provided in the Market Data section along with photographs.

Cost Approach

In the Cost Approach, the replacement cost new, including direct and indirect costs, has been estimated using cost data obtained from Marshall & Swift Commercial Estimator Program, or actual costs. Estimated replacement costs for site improvements (paving, landscaping, etc.) were also estimated using Marshall & Swift. Accrued depreciation is then subtracted to arrive at an estimate of contributory value of the improvements, or depreciated replacement costs.

Marshall & Swift Valuation Service is a national cost survey which is adjusted using local multipliers, and current cost multipliers.

	LOW DENSITY RESIDENTIAL LAND SALES					
Data No.	Location APN Seller / Buyer	Rec Date Doc No.	Sale Price	Land Area (Sq Ft)	Zoning	Price (Sq Ft)
1	743 California Street, Ontario 1049-312-04, 05, 06 Keener Family Trust / Tiffhugh Investment, LLC	12/30/2019 19-481749	\$400,000	22,500	MDR-18	\$17.78
2	9277 9th Street, Rancho Cucamonga 0207-244-08 <i>Koliva Real Estate / Steven Park</i>	8/28/2020 20-316401	\$230,000	7,558	LR	\$30.43
3	543 W. Center Street, Pomona 8340-027-012 Ronald Hill / Salvador Polina	9/16/2020 20-1118944	\$170,000	6,710	SP	\$25.34
4	1635 E. Kingsley Street, Pomona 8322-030-016 Philip & Zhi Wang / Fortune Weavers Inc	11/20/2020 20-1497094	\$540,000	15,158	R-3	\$35.62
5	11182 Vernon Avenue, Ontario 1011-501-54 Frances Ransel / Jose Villalpando	12/2/2020 20-487288	\$210,000	20,004	RS-20M	\$10.50
6	8175 9th Street, Rancho Cucamonga 0207-242-09 Namatalla Shenouda et al / Salvador Polina	3/8/2021 21-105536	\$240,000	7,875	LR	\$30.48
7	NS of Olive Street, W of N. Vineyard Avenue, Ontario 0108-481-18 thru 27 X&W Investments, LLC / CFC-Olive, LP	3/31/2021 21-146838	\$1,380,000	79,879	LDR-5	\$17.28
		AVERAGE MINIMUM MAXIMUM	\$452,857 \$170,000 \$1,380,000	22,812 6,710 79,879		\$23.92 \$10.50 \$35.62

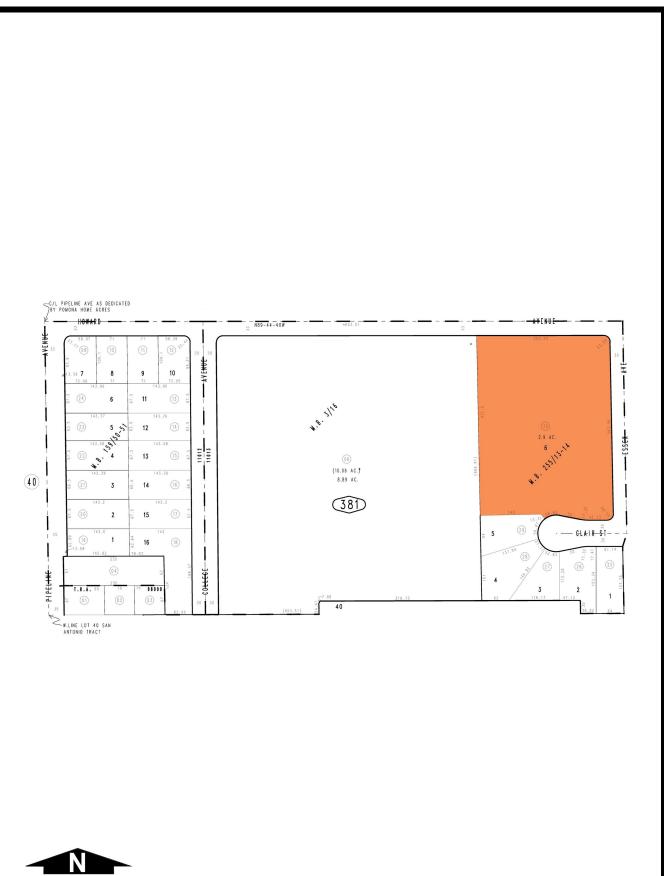
	MEDIUM-HIGH DENSITY RESIDENTIAL LAND SALES					
Data No.	Location APN Seller / Buyer	Rec Date Doc No.	Sale Price	Land Area (Sq Ft)	Zoning	Price (Sq Ft)
1	740-760 W. Holt Boulevard, Ontario 1048-604-15 Rahebi, Farid / AJ1 Development, LLC	8/23/2018 18-309919	\$1,565,000	54,840	MDR-25-ICC	\$28.54
2	1411 N. Grove Avenue, Ontario 1047-433-16 Bankruptcy Estate Accel. / Weissman Living Trust	11/7/2019 19-401871	\$900,000	47,110	HDR-45	\$19.10
3	1466 E. 5th Street, Ontario 0108-511-16 & -17 Marik, Jaroslav & Jirina / Sunnybrook Homes, LLC	12/27/2019 19-478298	\$1,700,000	104,105	HDR-45	\$16.33
4	235 E Franklin Ave, Pomona 8328-002-049 Mario & Penny Medina / Franklin Partners LLC	9/23/2020 20-1156623	\$490,000	18,091	R-3	\$27.09
5	207 E Budd St, Ontario 1050-081-14 Meadow Highlands LLC / RJPF Investment LLC et al	12/28/2020 20-528035	\$787,500	32,070	MDR-18	\$24.56
6	2862 S. Campus Avenue, Ontario Portion of 1051-531-05 AGS, Ltd. / Meritage Homes of California, Inc.	3/19/2021 21-126634	\$8,740,000	320,344	MDR-18	\$27.28
		AVERAGE MINIMUM MAXIMUM	\$2,363,750 \$490,000 \$8,740,000	96,093 18,091 320,344		\$23.82 \$16.33 \$28.54

	COMMERCIAL-MIXED USE LAND SALES					
Data No.	Location APN Seller / Buyer	Rec Date Doc No.	Sale Price	Land Area (Sq Ft)	Zoning	Price (Sq Ft)
1	549 W. Holt Boulevard, Ontario 1049-021-09 Leader Enterprises Company, Ltd. / Huynh, Kathy	7/13/2018 18-254847	\$785,000	35,814	MU-1	\$21.92
2	1117 E. Holt Boulevard, Ontario 1048-471-14 Harb, Nadim / Sehgal, Viraj, et al	1/18/2019 19-18349	\$200,000	13,389	MU-2	\$14.94
3	1437 N. Mountain Avenue, Ontario 1008-431-21, 22 Successor to the Ontario Redevelopment / Pacific lewis Proper	3/28/2019 19-95905 ties, et al	\$922,500	35,719	SP	\$25.83
4	1129 W. 4th Street, Ontario 1010-132-05 Beatty, Eric / Promed Properties, LLC	6/12/2019 19-192119	\$900,000	42,200	СС	\$21.33
5	120 S Hamilton Blvd, Pomona 8342-003-010 Wei & Jinbal Li / Defence Company	6/29/2020 20-706146	\$168,000	7,313	C-IND	\$22.97
6	413 W. Emporia Street, Ontario 1049-059-03 <i>Holt Center Plaza, LLC / Dali V, LLC</i>	10/23/2020 20-408921	\$490,000	21,324	MU-1	\$22.98
7	221 W Holt Ave, Pomona 8336-014-027 TFF Properties LLC / Shiloh 26 Management LLC	1/14/2021 21-72339	\$1,375,000	44,029	SP	\$31.23
8	5053 Mission Boulevard, Montclair 1011-321-16 <i>United Business Bank / Jaber, Ayad & Fatina</i>	1/25/2021 21-35004	\$437,500	24,276	C3	\$18.02
9	4790 Brooks St, Montclair 1012-101-20 Steven & Stella Grigolla / MV Builders LLC	3/4/2021 21-100561	\$340,000	16,432	SP-BP	\$20.69
10	5993 Riverside Drive, Chino 1020-101-46, 56 Boyle, Michael & Debra / EZBS Proeprties, LLC	3/24/2021 21-134457	\$1,087,500	53,340	CG	\$20.39
		AVERAGE MINIMUM MAXIMUM	\$670,550 \$168,000 \$1,375,000	29,384 7,313 53,340		\$22.03 \$14.94 \$31.23

SUBJECT NO. 1 ESSEX PARK



PLAT MAP



SUBJECT NO. 1 Essex Park APN 1012-381-30

Location:	The property is situated at the southwest corner of Howard Street and Essex Avenue. The situs address is 4295 Howard Street, Montclair, California.
Assessor's Parcel No.:	1012-381-30
Site Description	
Size:	2.90 acres, or 126,324 square feet
Shape/Frontage:	The subject property has a rectangular shape with approximately 290 feet of street frontage along Howard Avenue, approximately 393 feet of street frontage along Essex Avenue, and additional frontage along Clair Street, a cul-de-sac.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Neighborhood Parks. Public parks within the Montclair planning area occupy approximately 50 acres or 2 percent of the total area. This includes a newly developed neighborhood park and future parks. Standards developed by State and City policies suggest that an average of 1 acre of park land for each 3,000 residents would be needed. The existing park land acreage within the study area falls short of this objective by about 35 acres due to difficulties in park site acquisition, financial shortfall, and steady increase in population over the past two decades. Most of the public parks are situated in residential neighborhoods. In some cases, the parks share common boundaries with school facilities.
Surrounding Land Uses/Category:	Single-family residential, mobile home park, school site

Topography:	Generally level, at street grade.

Flood Zone: Unshaded Zone X (06071C8615H)

Improvement Description

Site improvements on the parcel include a single baseball field with fenced dugouts, backstop, outfield, and batting cage area. There is a digital scoreboard in the outfield, aluminum bleachers, and a 924 square foot snack bar/restroom building. The park has an asphalt parking lot with concrete walkway leading to the baseball field, and a trash enclosure. Additional improvements include large grass areas and approximately eighteen (18) trees. The cost new of the improvements are as follows:

Baseball field improvements		\$ 58,300
Snack shack/bathroom building		\$ 83,160
Asphalt parking lot		\$ 120,000
•	Concrete paving	\$ 94,500
•	Trash Enclosure	\$ 4,500
• Landscaping (Grass & Trees)		<u>\$ 540,000</u>
	Subtotal	\$ 900,460
•	Contingency (10%)	\$ 90,046
•	Consulting Fees (9%)	\$ 81,041
•	City Management (5%)	<u>\$ 45,023</u>
	Total	\$1,116,570
Summary of Valuation Analysis		
Improvement	s Replacement Cost New	\$1,116,570
Less: Average Accrued Depreciation @ 25%		<u>\$ 144,143</u> (Landscaping Excluded)
Improvements Depreciated Replacement Value		\$ 972,427
Plus: Underly	ing Land Value	
Low Density Residential Land Value 126,324 Sq. Ft. x \$26 per Sq. Ft.		<u>\$3,284,424</u>
Estimated Market Value (Rounded)		\$4,257,000



View west across subject property from Essex Avenue



View south across subject property from Howard Street



Views of subject baseball field





View of subject batting cage



View of subject bleachers



Views of snack stand and restroom building





View of electric scoreboard



View of subject parking lot



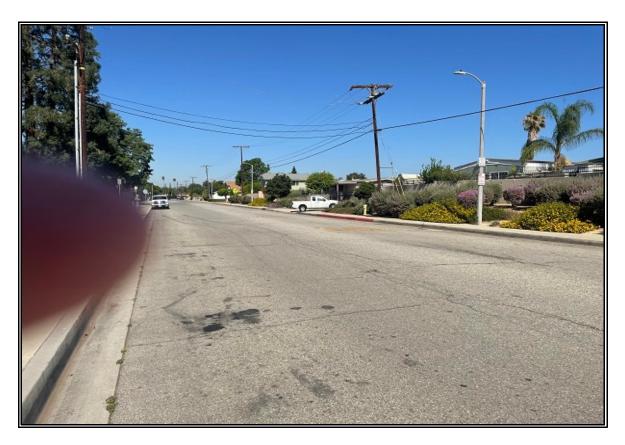
View north along Essex Avenue



View south along Essex Avenue



View east along Howard Street



View west along Howard Street

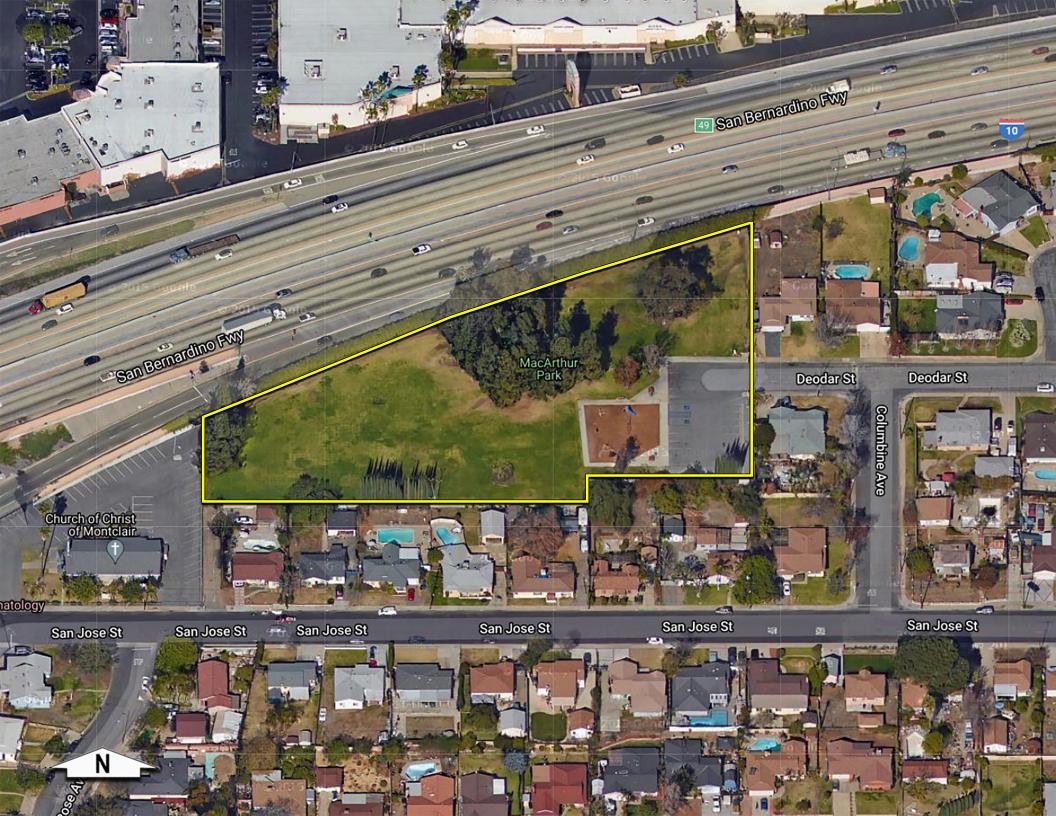


View east along Clair Street

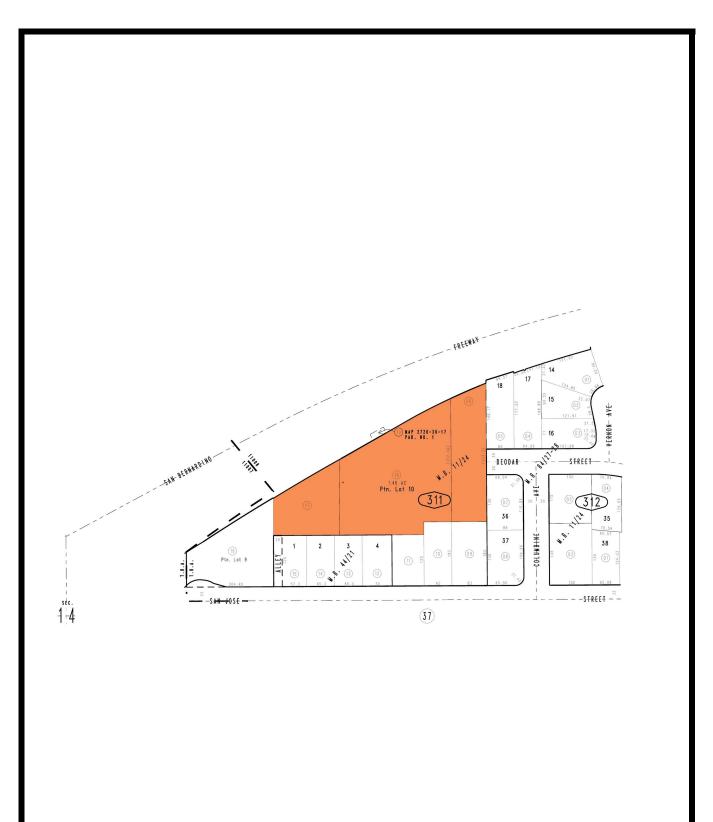


View west along Clair Street

SUBJECT NO. 2 MACARTHUR PARK



PLAT MAP





SUBJECT NO. 2 MacArthur Park APNs 1008-311-06, 17, 18

Location:	The property is situated west of the western terminus of Deodar Street, just south of the 10 Freeway. The situs address is 5450 Deodar Street, Montclair, California.
Assessor's Parcel Nos.:	1008-311-06, 17, 18
Site Description	
Size:	2.56 acres, or 111,514 square feet
Shape/Frontage:	The subject property has a triangular shape as assembled with approximately 60 feet of street frontage along Deodar Street.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Neighborhood Parks. Public parks within the Montclair planning area occupy approximately 50 acres or 2 percent of the total area. This includes a newly developed neighborhood park and future parks. Standards developed by State and City policies suggest that an average of 1 acre of park land for each 3,000 residents would be needed. The existing park land acreage within the study area falls short of this objective by about 35 acres due to difficulties in park site acquisition, financial shortfall, and steady increase in population over the past two decades. Most of the public parks are situated in residential neighborhoods. In some cases, the parks share common boundaries with school facilities.
Surrounding Land Use/Category:	Single-family residential.
Topography: Flood Zone:	Generally level, at street grade. Unshaded Zone X (06071C8605H & 06071C8608H)

Improvement Description

Site improvements on the parcel include a small playground area, two (2) small wood cabanas, concrete sidewalks, asphalt parking lot with an electric metal entry gate, and four (4) light poles. Additional improvements include large grass area and approximately twenty-one (21) trees. The cost new of the improvements are as follows:

•	Playground area	\$ 15,900
•	Asphalt parking lot	\$ 52,000
•	Metal gate/fencing	\$ 2,310
•	Concrete paving	\$ 12,750
•	Cabanas	\$ 5,000
•	Lighting	\$ 11,000
•	Landscaping (Grass & Trees)	\$370,000
	Subtotal	\$468,960
•	Contingency (10%)	\$ 46,896
•	Consulting Fees (9%)	\$ 42,206
•	City Management (5%)	<u>\$ 23,448</u>
	Total	\$581,510

Summary of Valuation Analysis

Improvements Replacement Cost New	\$ 581,510
Less: Average Accrued Depreciation @ 20%	<u>\$ 42,302</u> (Landscape Excluded)
Improvements Depreciated Replacement Value	\$ 539,208
Plus: Underlying Land Value	
Low Density Residential Land Value 111,514 Sq. Ft. x \$26 per Sq. Ft.	<u>\$2,899,364</u>
Estimated Market Value (Rounded)	\$3,439,000



View southwest across subject property



View northeast across subject property



View west along Deodar Street and subject entry gate

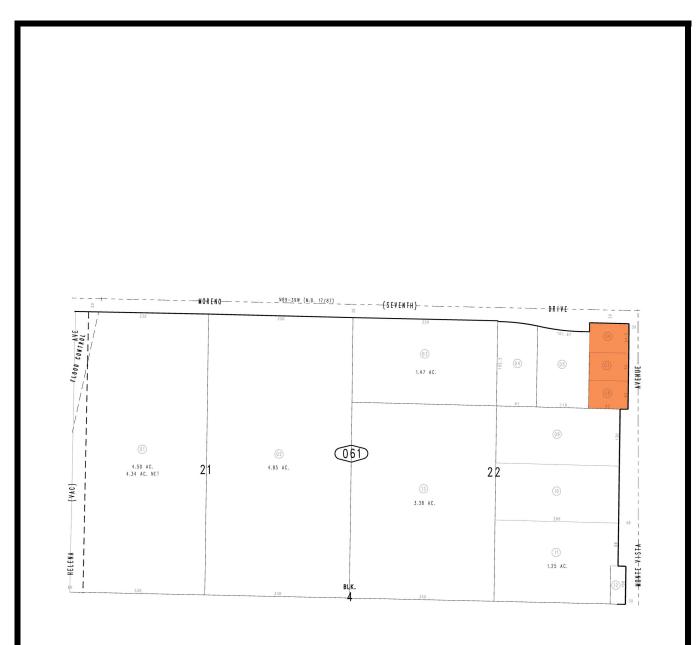


View ast along Deodar Street

SUBJECT NO. 3 MINI PARK #1



PLAT MAP





SUBJECT NO. 3 Mini Park #1 APNs 1009-061-06, 07, 08

Location:	The property is situated at the southwest corner of Monte Vista Avenue and Moreno Street. The situs address is 9120 Monte Vista Avenue, Montclair, California.
Assessor's Parcel Nos.:	1009-061-06, 07, 08
Site Description	
Size:	0.40 acres, or 17,424 square feet
Shape/Frontage:	The subject property has a rectangular shape as assembled with approximately 193 feet of frontage along Moreno Vista Avenue, and approximately 90 feet of frontage along Moreno Street.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Public/Quasi-Public. Public/Quasi-public uses include the civic center complex, transportation center and facilities, utility yards, water towers and reservoirs, fire stations, public and private schools, religious institutions, non-profit membership associations and similar uses. Approximately 272 acres are devoted to these uses however this does not include many small church assemblies.
Surrounding Land Use/Category:	Retail, office, single-family residential, and multi-family residential.
Topography:	Generally level, at street grade.
Flood Zone:	Unshaded Zone X (06071C8605H)

Improvement Description

Site improvements on the parcel include concrete walkway and pad. Additional improvements include large grass area and two (2) trees. The cost new of the improvements are as follows:

• • •	Concrete paving Landscaping (Grass & Trees) Subtotal Contingency (10%) Consulting Fees (9%) City Management (5%) Total	\$ 13,050 <u>\$ 82,770</u> \$ 95,820 \$ 9,582 \$ 8,624 <u>\$ 4,791</u> \$118,817		
Summary of	Valuation Analysis			
Improvements Replacement Cost New		\$118,817		
Less: Average Accrued Depreciation @ 10%		<u>\$ 3,605</u> (Landscape Excluded)		
Improvements Depreciated Replacement Value		\$115,212		
Plus: Underlying Land Value				
Low Density Residential Land Value17,424 Sq. Ft. x \$26 per Sq. Ft.\$453,024		<u>\$453,024</u>		
Estimated M	arket Value (Rounded)	\$568,000		



View north across subject property



View south across subject property



Views of subject walkway and picnic bench area





View north along Monte Vista Avenue



View south along Monte Vista Avenue

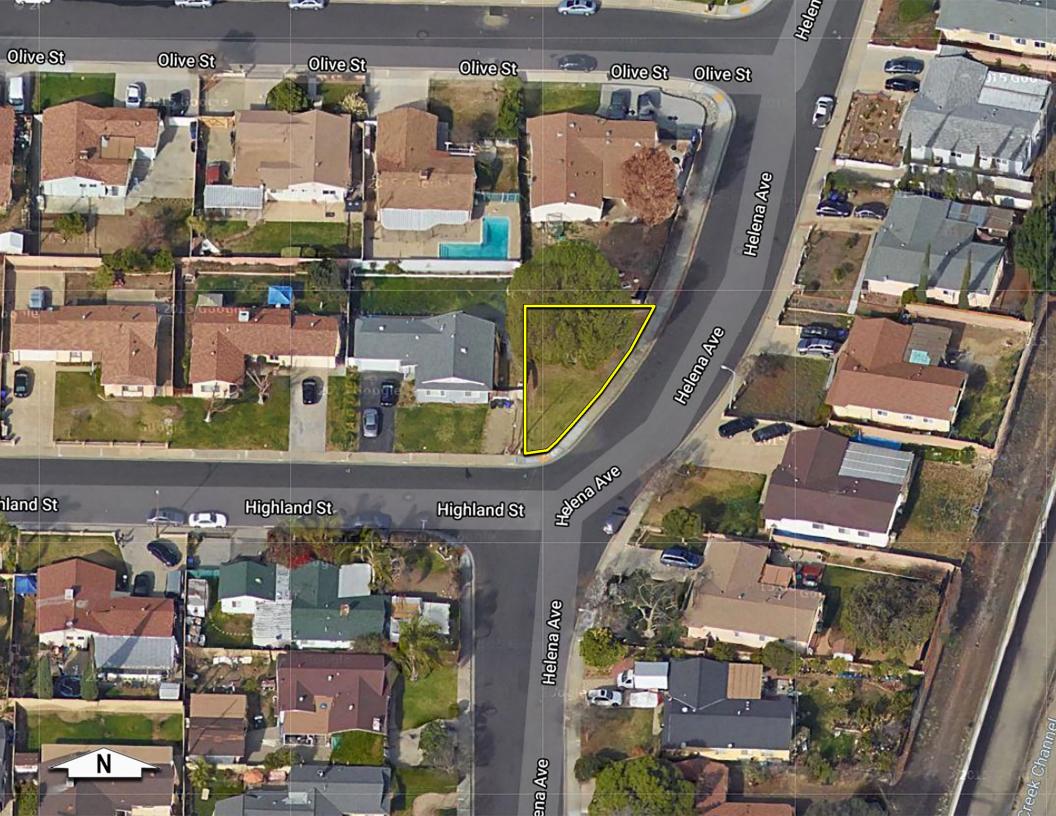


View east along Moreno Street



View west along Moreno Street

SUBJECT NO. 4 MINI PARK #2



PLAT MAP



SUBJECT NO. 4 Mini Park #2 APN 1009-043-01

Location:	The property is situated at the northwest corner of Highland Street and Helena Avenue. The situs address is 4682 Highland Street, Montclair, California.
Assessor's Parcel Nos.:	1009-043-01
Site Description	
Size:	0.06 acres, or 2,439 square feet
Shape/Frontage:	The subject property has a triangular shape with approximately 98 feet of frontage along Helena Avenue.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Low Density Single-Family Residential. This category of single-family residential areas comprises the largest land use category in the study area. A total of 1,630 acres or 39 percent of the study area is occupied by the conventional 7,500 square foot single-family residential lots found mostly in the mid-section of Montclair. However, newer infilled subdivisions in various parts of the City of the last decade have been developed primarily on lot sizes averaging 6,000 square feet. In many cases, parcels that were previously designated for multiple-family residential use had been developed using the small-lot, detached single-family concept. The Low Density zone has a density of 3 to 7 dwelling units per acre.
Surrounding Land Use/Category:	Single-family residential
Topography:	Generally level, at street grade.

Flood Zone: Unshaded Zone X (06071C8605H)

Improvement Description

Site improvements on the parcel include large grass area and one (1) tree. The cost new of the improvements are as follows:

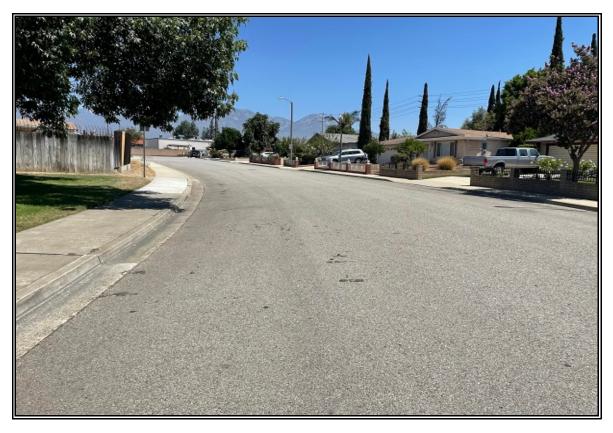
•	Landscaping (Grass & Trees)	<u>\$12,195</u>
	Subtotal	\$12,195
•	Contingency (10%)	\$ 1,220
•	Consulting Fees (9%)	\$ 1,098
•	City Management (5%)	<u>\$ 610</u>
	Total	\$15,123
Summary of Valuation Analysis		
Improvement	s Replacement Cost New	\$15,123
Less: Average Accrued Depreciation @ 0%		<u>\$</u> 0 (Landscape Excluded)
Improvements Depreciated Replacement Value		\$15,123
Plus: Underlying Land Value (As assembled)		
Low Density Residential Land Value2,439 Sq. Ft. x \$26 per Sq. Ft.\$64		<u>\$64,414</u>
Estimated Market Value (Rounded)		\$79,000



View north across subject property



View south across subject property

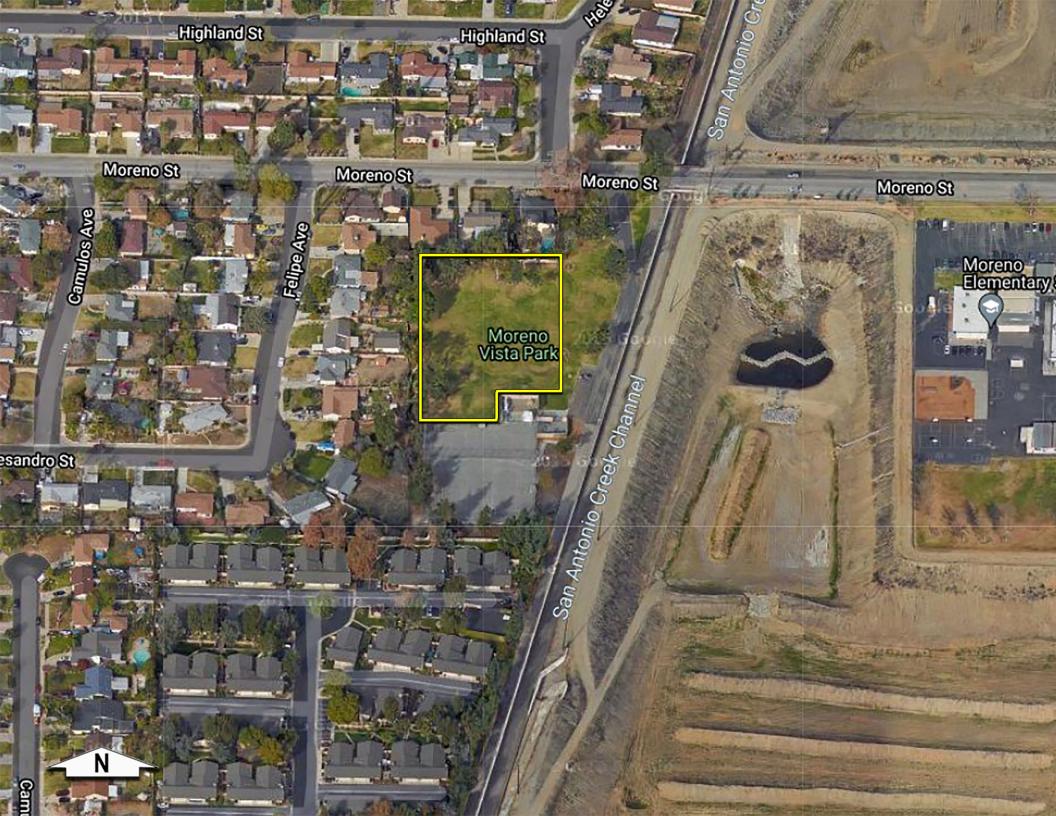


View north along Helena Avenue

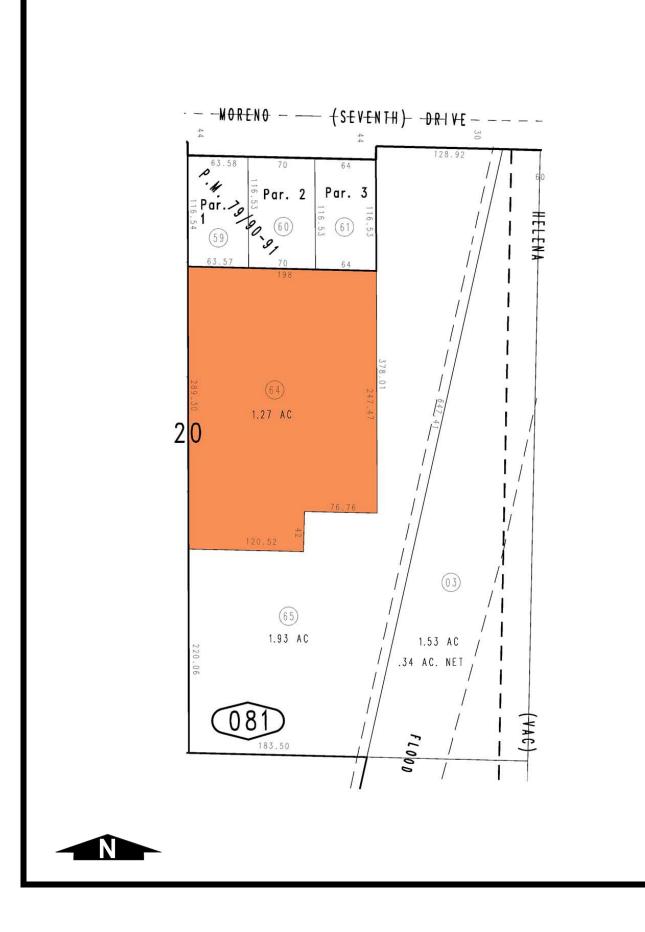


View south along Helena Avenue

SUBJECT NO. 5 MORENO VISTA PARK



PLAT MAP



SUBJECT NO. 5 Moreno Vista Park APN 1009-081-64

Location:	The property is situated on the south side of Moreno Street and east of Mills Avenue. The situs address is 4675 Moreno Street, Montclair, California.
Assessor's Parcel Nos.:	1009-081-64
Site Description	
Size:	1.24 acres, or 54,036 square feet
Shape/Frontage:	The subject is generally rectangular in shape with no street frontage. Access is provided from the adjacent parcel owned by Monte Vista County Water District.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Neighborhood Parks. Public parks within the Montclair planning area occupy approximately 50 acres or 2 percent of the total area. This includes a newly developed neighborhood park and future parks. Standards developed by State and City policies suggest that an average of 1 acre of park land for each 3,000 residents would be needed. The existing park land acreage within the study area falls short of this objective by about 35 acres due to difficulties in park site acquisition, financial shortfall, and steady increase in population over the past two decades. Most of the public parks are situated in residential neighborhoods. In some cases, the parks share common boundaries with school facilities.
Surrounding Land Use/Category:	Single-family residential, flood-control channel/flood basin
Topography:	Generally level and slightly below street grade.

Flood Zone: Unshaded Zone X (06071C8605H)

Improvement Description

Site improvements on the parcel include large grass area and twenty (20) trees. The cost new of the improvements are as follows:

•	Landscaping (Grass & Trees)	<u>\$270,180</u>	
	Subtotal	\$270,180	
•	Contingency (10%)	\$ 27,018	
•	Consulting Fees (9%)	\$ 24,316	
•	City Management (5%)	<u>\$ 13,509</u>	
	Total	\$335,023	
Summary of Valuation Analysis			
Improvements Replacement Cost New		\$ 335,023	
Less: Average Accrued Depreciation @ 0%		<u>\$</u> 0 (Landscape Excluded)	
Improvements Depreciated Replacement Value		\$ 335,023	
Plus: Underlying Land Value			
Low Density Residential Land Value54,036 Sq. Ft. x \$26 per Sq. Ft.\$1,404,936		<u>\$1,404,936</u>	
Estimated Market Value (Rounded)		\$1,740,000	



View of entrance to subject property



View north across subject property lot



View north across subject property



View southwest across subject property

SUBJECT NO. 6 SARATOGA PARK



PLAT MAP



SUBJECT NO. 6 Saratoga Park APN 1010-591-17

Location:	The subject property is located on the south side of Kingsley Street and along the west side of Vernon Avenue. The situs address is 5397 Kingsley Street, Montclair, California.
Assessor's Parcel Nos.:	1010-591-17
Site Description	
Size:	11.69 acres, or 509,216 square feet
Shape/Frontage:	The subject property has an L-shape with approximately 542 feet of frontage along Kingsley Street, and approximately 219 feet of frontage along Vernon Avenue.
Zoning:	The subject property is zoned R3 (Multiple Family/Medium-High Residential). The Multiple Family/Medium-High Residential zone is intended as a diverse range of housing types to appeal to the widest range of residents possible. The primary permitted uses are apartments, condominiums, townhomes, other planned residential developments, mobile home parks, residential care facilities for six or fewer persons, senior housing.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Neighborhood Parks. Public parks within the Montclair planning area occupy approximately 50 acres or 2 percent of the total area. This includes a newly developed neighborhood park and future parks. Standards developed by State and City policies suggest that an average of 1 acre of park land for each 3,000 residents would be needed. The existing park land acreage within the study area falls short of this objective by about 35 acres due to difficulties in park site acquisition, financial shortfall, and steady increase in population over the past two decades. Most of the public parks are situated in residential neighborhoods. In some cases, the parks share common boundaries with school facilities.
Surrounding Land Use/Category:	Retail, multi-family residential, single-family residential.
Topography:	Generally level, at street grade.

Improvement Description

Site improvements on the parcel include a four (4) baseball fields with fenced dugouts, backstops, outfields, and batting cage areas. There are aluminum bleachers, a two-story 3,000 square foot snack bar/restroom building, a 450 square foot maintenance building, restrooms, sixteen (16) field lights, and two electronic scoreboards. The park has a small playground area, basketball court, picnic area, two (2) asphalt parking lots with concrete walkways leading to the baseball fields, and trash enclosures. Additional improvements include fourteen (14) benches, sixteen (16) pole lights, large grass areas, approximately forty-six (46) trees, and various landscape improvements. The cost new of the improvements are as follows:

•	Baseball field improvements	\$ 150,000
•	Baseball field flood lighting	\$ 600,000
•	Snack shack/bathroom buildings	\$ 360,000
•	Maintenance building	\$ 40,500
•	Playground area	\$ 180,000
•	Basketball court	\$ 67,500
•	Asphalt parking lots	\$ 184,000
•	Concrete paving	\$ 540,000
•	Benches	\$ 14,000
•	Pole lights	\$ 8,000
•	Landscaping (Grass & Trees)	\$1,875,000
	Subtotal	\$3,869,150
•	Contingency (10%)	\$ 386,915
•	Consulting Fees (9%)	\$ 348,224
•	City Management (5%)	<u>\$ 193,458</u>
	Total	\$4,796,982

Summary of Valuation Analysis

Improvements Replacement Cost New	\$ 4,796,982	
Less: Average Accrued Depreciation @ 25%	<u>\$ 730,496</u> (Landscape Excluded)	
Improvements Depreciated Replacement Value	\$ 4,066,486	
Plus: Underlying Land Value		
Medium-High Density Residential Land Value 509,216 Sq. Ft. x \$25 per Sq. Ft.	<u>\$12,730,400</u>	
Estimated Market Value (Rounded)	\$16,797,000	



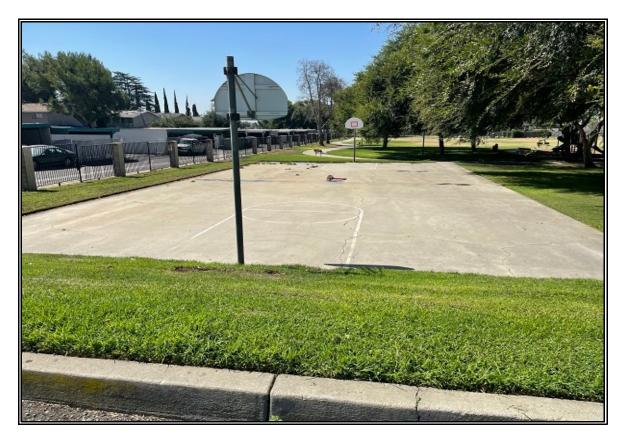
View of subject property entrance from Kingsley Street



View of subject property entrance from Vernon Avenue



View of playground area on subject property



View of basketball court area on subject property



View of picnic area on subject property



View south across subject property



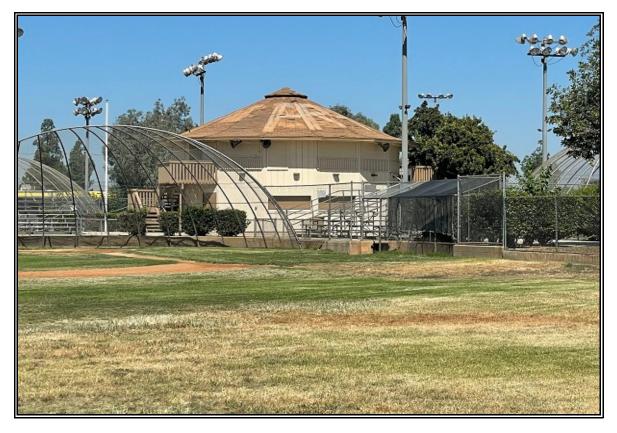
Views north across subject property





Views of subject baseball fields





Views of snack bar/bathroom building





Views of subject parking lots





View east along Kingsley Street



View west along Kingsley Street

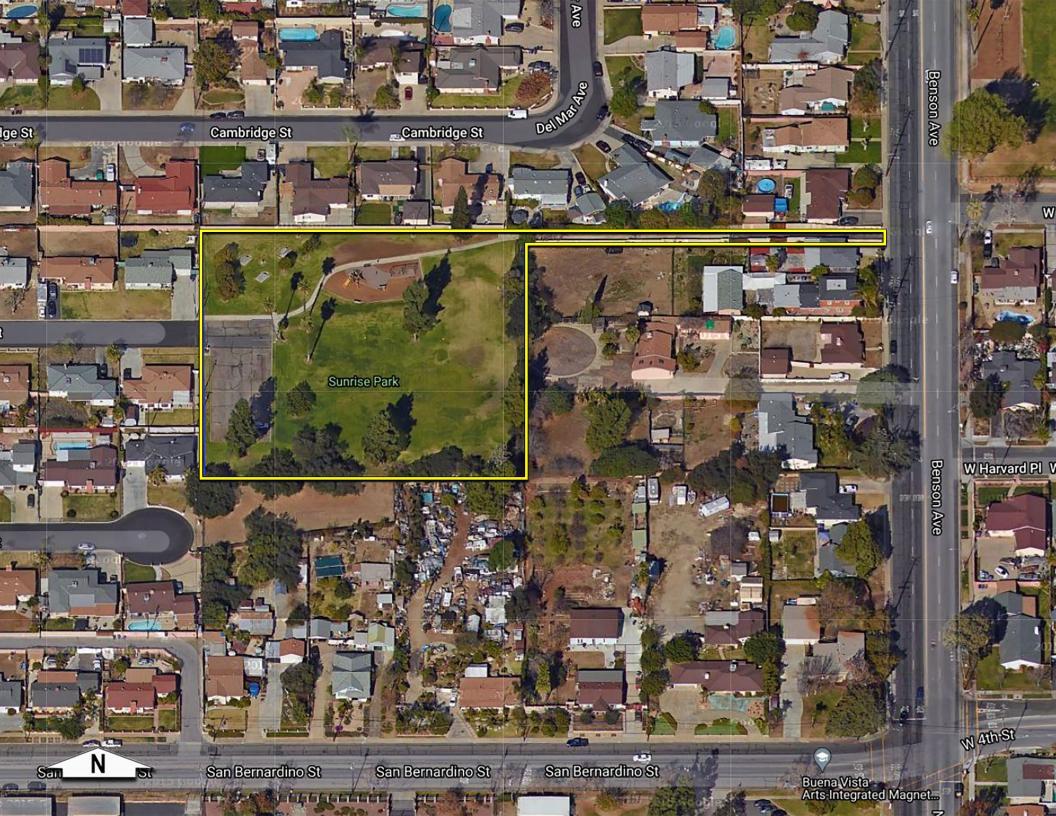


View north along Vernon Avenue



View south along Vernon Avenue

SUBJECT NO. 7 SUNRISE PARK



PLAT MAP





SUBJECT NO. 7 Sunrise Park APN 1008-582-01

Location:	The property is situated at the eastern terminus of Princeton Street, north of San Bernardino Street. The situs address is 5616 Princeton Street, Montclair, California.
Assessor's Parcel Nos.:	1008-582-01
Site Description	
Size:	2.26 acres, or 98,446 square feet
Shape/Frontage:	The subject property is generally rectangular in shape with approximately 60 feet of frontage on Princeton Street and has an additional gated access driveway extending east to Benson Avenue.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has a land use designation of Neighborhood Parks. Public parks within the Montclair planning area occupy approximately 50 acres or 2 percent of the total area. This includes a newly developed neighborhood park and future parks. Standards developed by State and City policies suggest that an average of 1 acre of park land for each 3,000 residents would be needed. The existing park land acreage within the study area falls short of this objective by about 35 acres due to difficulties in park site acquisition, financial shortfall, and steady increase in population over the past two decades. Most of the public parks are situated in residential neighborhoods. In some cases, the parks share common boundaries with school facilities.
Surrounding Land Use/Category:	Single-family residential
Topography:	Gently sloping to generally level.

Flood Zone:

Unshaded Zone X (06071C8608H)

Improvement Description

Site improvements on the parcel include a small playground area, concrete sidewalks, concrete picnic pads, three (3) benches asphalt parking lot with chainlink fence entry gate, and six (6) pole lights. Additional improvements include large grass area and approximately fifteen (15) trees. The cost new of the improvements are as follows:

•	Playground	\$222,000
•	Benches	\$ 3,000
•	Pole lights	\$ 8,700
•	Asphalt parking lot	\$ 32,000
•	Chainlink gate/fencing	\$ 1,960
•	Concrete paving	\$ 75,000
•	Landscaping (Grass & Trees)	\$395,000
	Subtotal	\$737,660
•	Contingency (10%)	\$ 73,766
•	Consulting Fees (9%)	\$ 66,389
•	City Management (5%)	<u>\$ 36,883</u>
	Total	\$914,698

Summary of Valuation Analysis

Estimated Market Value (Rounded)	\$3,344,000	
Low Density Residential Land Value 98,446 Sq. Ft. x \$26 per Sq. Ft.	<u>\$2,559,596</u>	
Plus: Underlying Land Value		
Improvements Depreciated Replacement Value	\$ 784,773	
Less: Average Accrued Depreciation @ 25%	<u>\$ 129,925</u> (Landscape Excluded)	
Improvements Replacement Cost New	\$ 914,698	



View northeast across subject property



View southeast across subject property



View of playground area on subject



View of picnic area on subject property



Views of subject parking lot



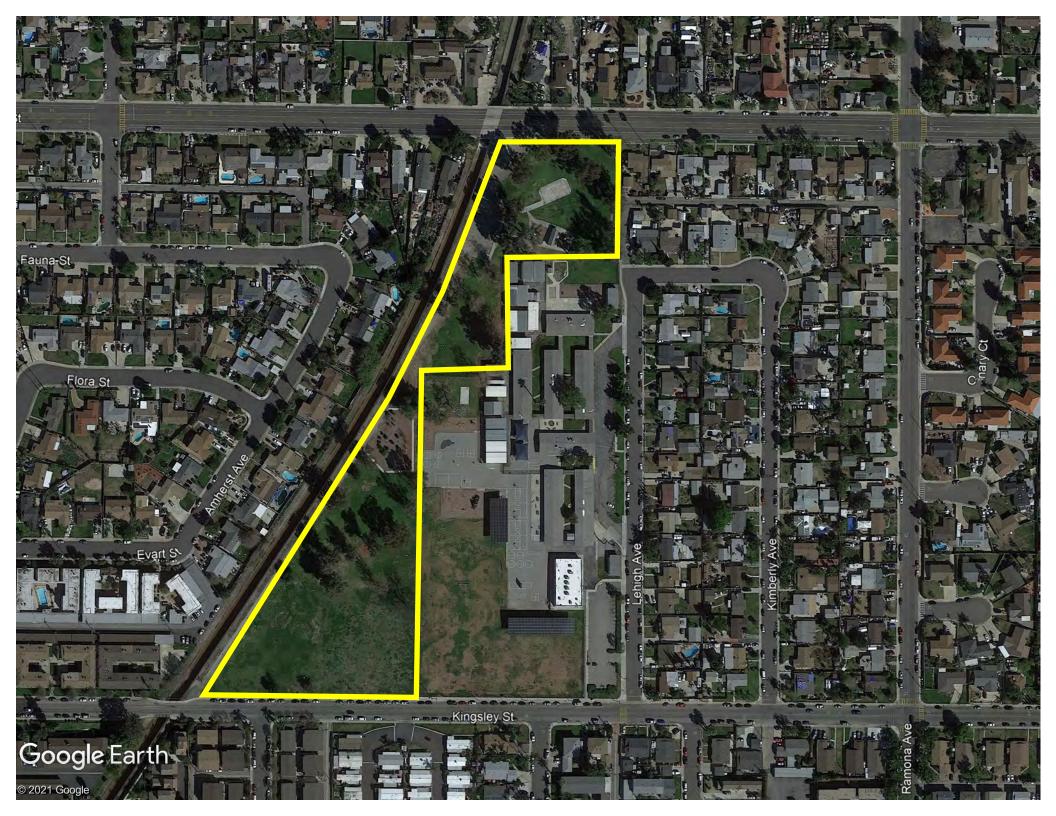


View east along Princeton Street and subject gated entrance

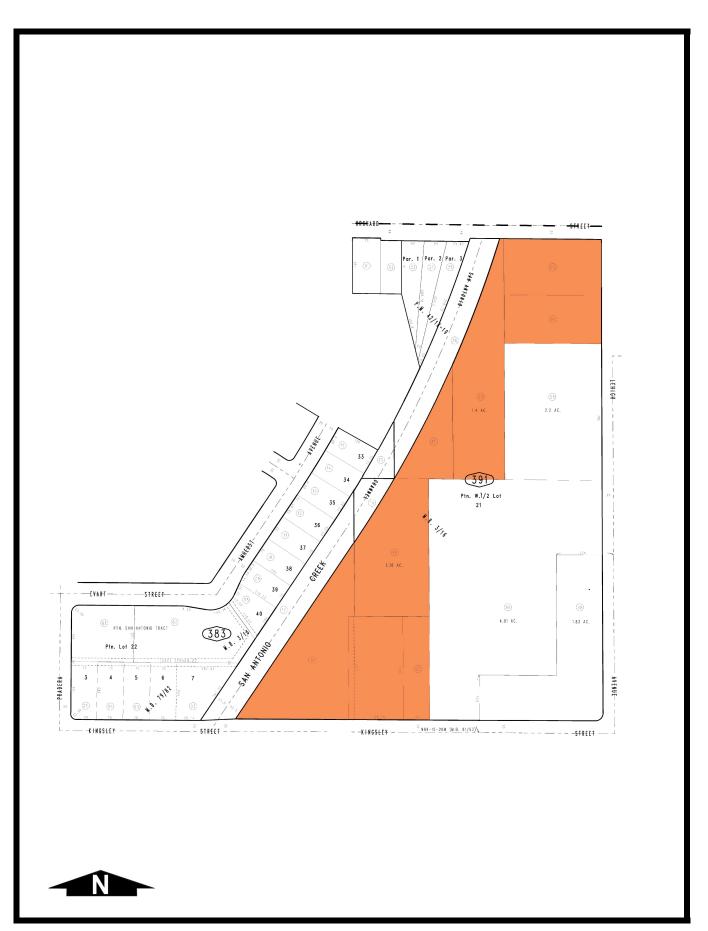


View west along Princeton Street

SUBJECT NO. 8 SUNSET PARK



PLAT MAP



SUBJECT NO. 8 Sunset Park APNs 1009-391-06, 07, 17, 19, 21, 22, 29 and 1009-383-18

Location:	The property is situated on the south side of Orchard Street, and on the north side of Kingsley Street. The situs address is 4351 Orchard Street, Montclair, California.
Assessor's Parcel Nos.:	1009-391-06, 07, 17, 19, 21, 22, 29 and 1009-383-18
Site Description	
Size:	7.83 acres, or 341,075 square feet
Shape/Frontage:	The subject property has an irregular shape as assembled with approximately 260 feet of frontage along Orchard Street, and approximately 511 feet of frontage along Kingsley Street.
Zoning:	The subject property is zoned R1 (Single-Family Residential). The Single-Family Residential zone is intended as a district of single-family homes with not more than one primary dwelling unit, a maximum of one second dwelling unit, and detached accessory buildings upon one lot. The allowed uses include single-family dwellings, orchards, parks/playgrounds/civic centers, churches/schools, and second dwelling units pursuant to additional zoning standards.
General Plan:	The City of Montclair General Plan indicates the subject has multiple land use designations, Neighborhood Park, Public/Quasi Public, & Low Residential, each covering a portion of the property. The Neighborhood Park designation includes public parks and future parks in the City of Montclair. State and City policies suggest an average of 1 acre of park land for each 3,000 residents. The existing park land acreage within Montclair falls short by about 35 acres. Public/Quasi-public uses include the civic center complex, transportation center and facilities, utility yards, water towers and reservoirs, fire stations, public and private schools, religious institutions, non-profit membership associations and similar uses. The Low Residential zone has a density of 3 to 7 dwelling units per acre.
Surrounding Land Use/Category:	Single-family residential, multi-family residential, mobile home park, school site

Topography:	Generally flat and at street grade.	

Flood Zone: Unshaded Zone X (06071C8605H)

Improvement Description

Site improvements on the parcel include two (2) small playground areas, concrete pickleball court, storage building (not valued), concrete sidewalks, asphalt parking lot, and twenty-three (23) pole lights. Additional improvements include large grass areas and approximately forty-four (68) trees. The cost new of the improvements are as follows:

•	Playgrounds	\$	129,000
•	Asphalt parking lot and driveway	\$	84,500
•	Pole lights	\$	33,350
•	Concrete paving and pickleball court	\$	188,550
•	Landscaping (Grass & Trees)	\$	395,000
	Subtotal	\$	830,400
•	Contingency (10%)	\$	83,040
•	Consulting Fees (9%)	\$	74,736
•	City Management (5%)	\$	41,520
	Total	\$1	,029,696

Summary of Valuation Analysis

Estimated Market Value (Rounded)	\$9,739,000		
Low Density Residential Land Value 341,075 Sq. Ft. x \$26 per Sq. Ft.	<u>\$8,867,950</u>		
Plus: Underlying Land Value			
Improvements Depreciated Replacement Value	\$ 871,022		
Less: Average Accrued Depreciation @ 25%	<u>\$ 158,674</u> (Landscape Excluded)		
Improvements Replacement Cost New	\$1,029,696		



View south across subject property from Orchard Street



View north across subject property from Kingsley Street



Views of playground area and storage building





View of pickleball court on subject



View of small orchard/fruit trees on subject



View of subject parking lot



View east along Orchard Street



View west along Orchard Street



View east along Kingsley Street

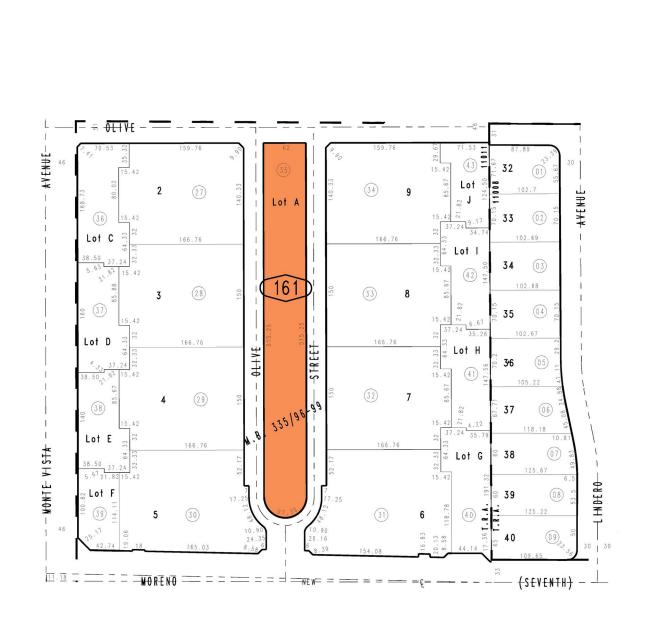


View west along Kingsley Street

SUBJECT NO. 9 SYCAMORE PARK



PLAT MAP





SUBJECT NO. 9 Sycamore Park APN 1008-161-35

Location:	The subject property is the common park area located within the Paseos Apartment Homes development between Moreno Street and Olive Street. The situs address is 4914 Olive Street, Montclair, California.
Assessor's Parcel Nos.:	1008-161-35
Site Description	
Size:	0.77 acres, or 33,541 square feet
Shape/Frontage:	The subject property is generally rectangular in shape with frontage along Olive Street, Moreno Street, and internal circulation streets within development.
Zoning:	The subject property is zoned Town Center Residential according to the North Montclair Downtown Specific Plan. The goals of this mixed-use, transit-oriented Town Center demand significant residential population within an immediate five- to ten-minute walking distance. A range of multi-family housing types in this location–rowhouses, courtyard apartments, lofts, and stacked flats–should appeal to potential residents interested in living near the amenities of North Montclair. Townhouses, or rowhouses, are a classic urban home type commonly associated with east coast cities. Courtyard housing arranges a collection of about 10-20 flats and/or two-story townhouses around a shared courtyard. Density can reach up to 40-50 dwelling units per acre.
	The Town Center Residential section indicates that various sites should be dedicated to small neighborhood squares and parks, of sufficient size to accommodate modest playgrounds, dog-runs, or minor public monuments. These open spaces should be oriented towards, and accessible from, adjacent sidewalks. The Specific Plan further differentiates between Neighborhood Parks, Piazzas and Plazas, Neighborhood Squares, and Greenways. Neighborhood Parks are medium-sized public spaces available for unstructured recreation, with a landscape consisting of grass and trees, naturally disposed and requiring only limited maintenance. Such parks are appropriate locations for playgrounds, dog-runs, and other family-oriented activities, and may be more suburban in character than neighborhood squares. Unlike neighborhood squares, the definition and boundary of neighborhood parks is characterized less by surrounding buildings and more by its own landscaping.

General Plan:	he City of Montclair General Plan indicates the subject has a land use signation of Planned Development. The current General Plan creates is new land use category to plan for special consideration of certain areas here a mix of land uses, such as commercial, office, and residential uses ay be developed in a cohesive manner, utilizing special and innovative velopment standards consistent with the overall General Plan and/or becific Plan.	
Surrounding Land Use/Category:	Multi-family residential	
Topography:	Generally level and below street grade.	
Flood Zone:	Unshaded Zone X (06071C8605H)	

Improvement Description

The subject property essentially functions as a drainage culvert which has been improved as a small park. Improvements include a water feature, concrete and stone walkways, several stairways with hand railings, composite deck walkway, sitting areas, terraced grass area, caged river rock walls, and drainage improvements. Additional site improvements include numerous trees and drought tolerant plants, numerous types of walkway and tree lighting, and grass areas.

It is estimated that the park improvements were constructed in 2014, and the actual construction costs at that time were approximately \$876,400. According to the California Department of General Services Construction Cost Index (CCCI), the August 2014 index was 5959 which compares to the index in August 2021 at 8122. Therefore the actual estimated construction cost of \$876,400 is adjusted by a factor of $1.363 (8122 \div 5959)$. The cost new of the improvements are as follows:

• Park improvements (\$876,400 x 1.363)	\$1,194,533		
Summary of Valuation Analysis			
Improvements Replacement Cost New	\$1,194,533		
Less: Average Accrued Depreciation @ 2%	<u>\$ 23,891</u>		
Improvements Depreciated Replacement Value <u>Plus:</u> Underlying Land Value (As Assembled)	\$1,170,642		
Medium-High Density Residential Land Value 33,541 Sq. Ft. x \$25 per Sq. Ft.	<u>\$ 838,525</u>		
Estimated Market Value (Rounded)	\$2,009,000		



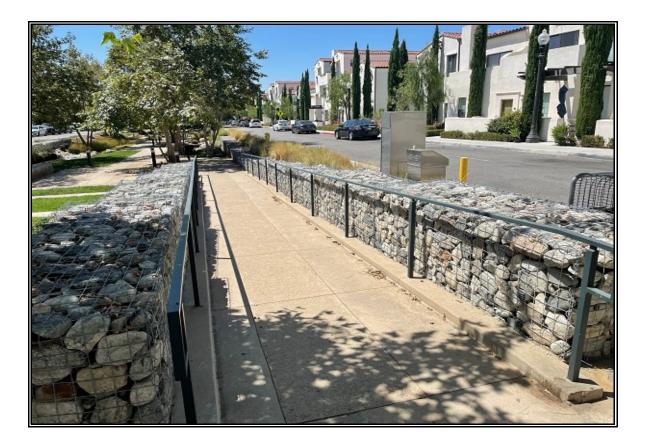
View north across subject property from Moreno Street



View south across subject property from Olive Street



View of water feature and ADA ramp at north end of property

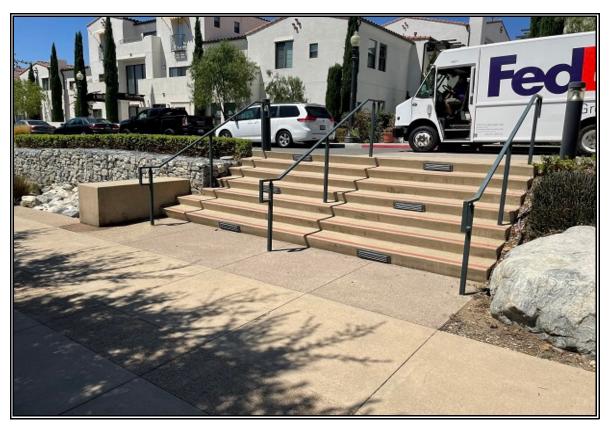




View south from northern portion at subject property



View north from northern portion at subject property

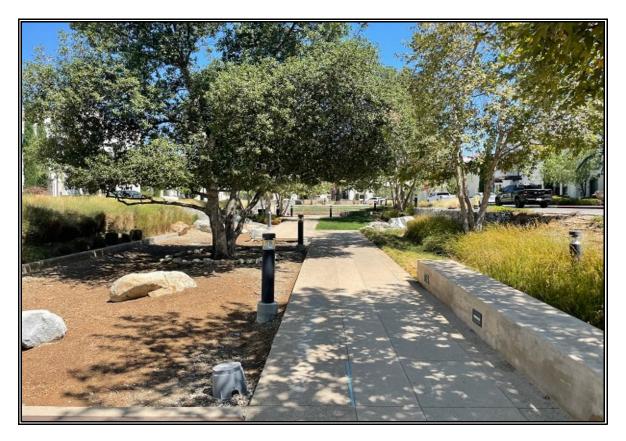


Stairway and composite deck path at central portion of property





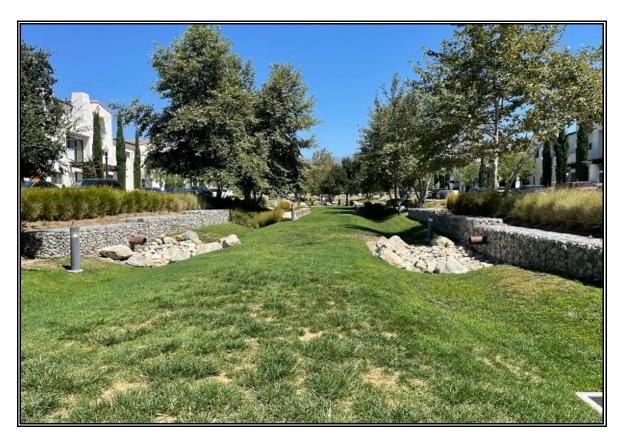
View south from central portion of subject property



View north from central portion of subject property



View south from southern portion of subject property



View north from southern portion of subject property



View east along Olive Street



View west along Olive Street

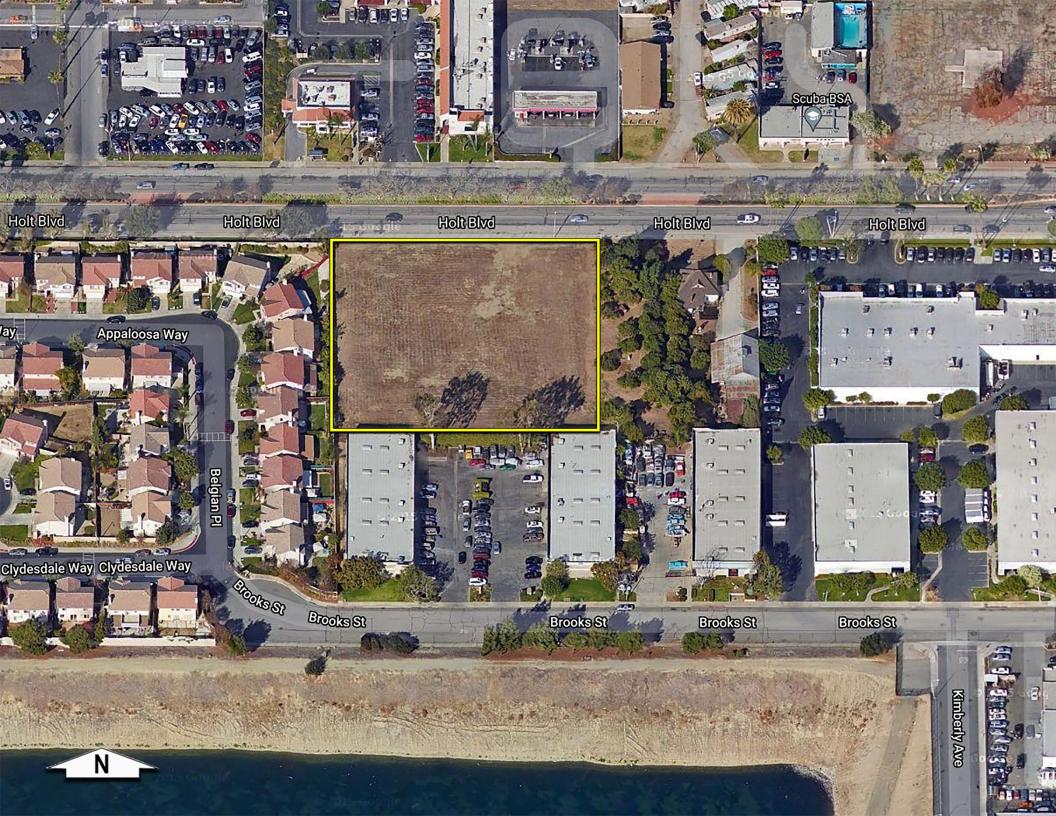


View north along adjacent roadway to subject

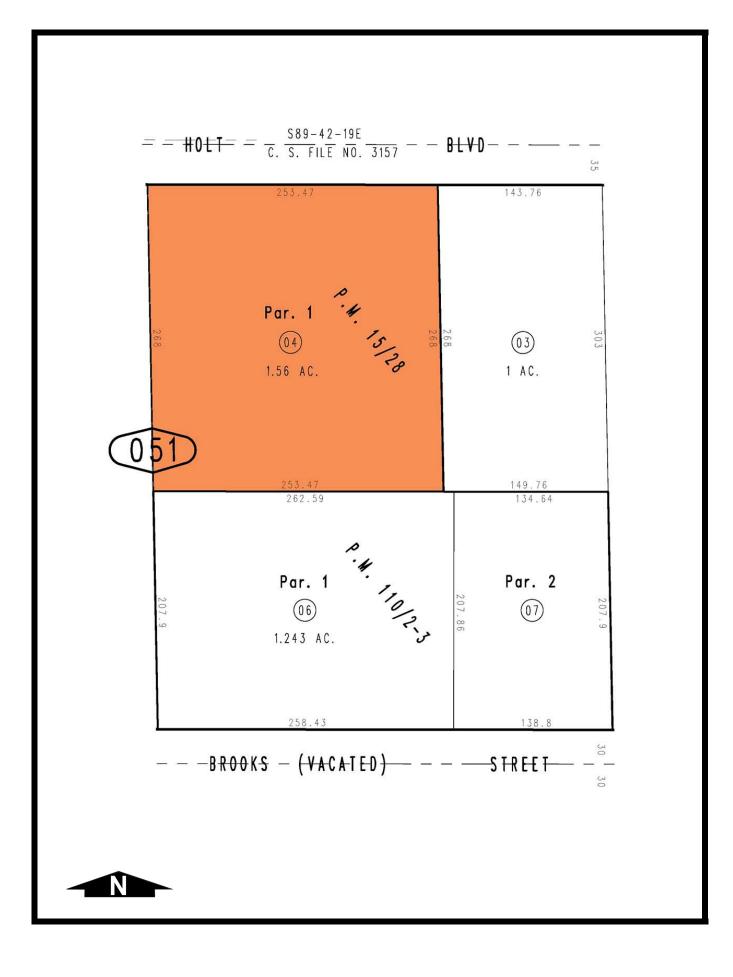


View south along adjacent roadway to subject

SUBJECT NO. 10 REEDER RANCH



PLAT MAP



SUBJECT NO. 10 Reeder Ranch APNs 1012-051-04

Location:	The property is situated on the south side of Holt Boulevard, west of Ramona Avenue. The situs address is 4405 Holt Boulevard, Montclair, California.	
Assessor's Parcel Nos.:	1012-051-04	
Site Description		
Size:	1.56 acres, or 67,954 square feet	
Shape/Frontage:	The subject property has a rectangular shape with approximately 253 feet of frontage along Holt Boulevard.	
Zoning:	The subject property is zoned Commercial according to the Holt Boulevard Specific Plan. The Commercial category is intended to meet a variety of retail, commercial service, and commercial recreation needs of area residents and businesses. Restaurants, business services, and business-oriented retailing is encouraged. Commercial service and retail uses oriented towards residents of Montclair will include the retailing of durable and other goods which are not generally purchased on a daily basis, as well as the "day-to-day" retailers like grocery stores. Examples of non-daily retailers include furniture and major appliances. Limited commercial recreation uses are also permitted.	
General Plan:	The City of Montclair General Plan indicates the subject has two land use designations, General Commercial and Industrial Park, covering a portion of the property. General Commercial land uses, including neighborhood centers, are found in many locations in the community, mainly along the principal arterial where strips of business have developed. This category includes a broad range of commercial activities, including, but not limited to, grocery stores, restaurants, service providers, automobile and recreational-vehicle sales, and other retail and wholesale establishments. The Industrial Park category includes all light industrial and related uses including warehouse and wholesale activities, generally located on the south side of Brooks Street and State Street. Industrial development within this land use category mostly consists of multiple-tenant tilt-up buildings with roll-up doors. Some larger, single-tenant occupied buildings can also be found in the Industrial Park category.	

Surrounding Land Use/Category:	Commercial, industrial/business park, single-family residential
Topography:	Generally level and at street grade.
Flood Zone:	Unshaded Zone X (06071C8605H & 06071C8615H)

Improvement Description

The subject property is a vacant land parcel with some chainlink perimeter fencing. The cost new of the improvements are as follows:

•	Fencing	\$10,000
•	Subtotal	\$10,000
•	Contingency (10%)	\$ 1,000
•	Consulting Fees (9%)	\$ 900
•	City Management (5%)	<u>\$ 500</u>
	Total	\$12,400

Summary of Valuation Analysis

Improvements Replacement Cost New	\$ 12,400
Less: Average Accrued Depreciation @ 10%	<u>\$ 1,240</u>
Improvements Depreciated Replacement Value	\$ 11,160
Plus: EPTDESIGN Construction Plans	\$ 147,503
Plus: Underlying Land Value	
Commercial-Mixed Use Land Value 67,954 Sq. Ft. x \$23 per Sq. Ft.	<u>\$1,562,942</u>
Estimated Market Value (Rounded)	\$1,710,000



View southeast across subject property



View east along Holt Boulevard

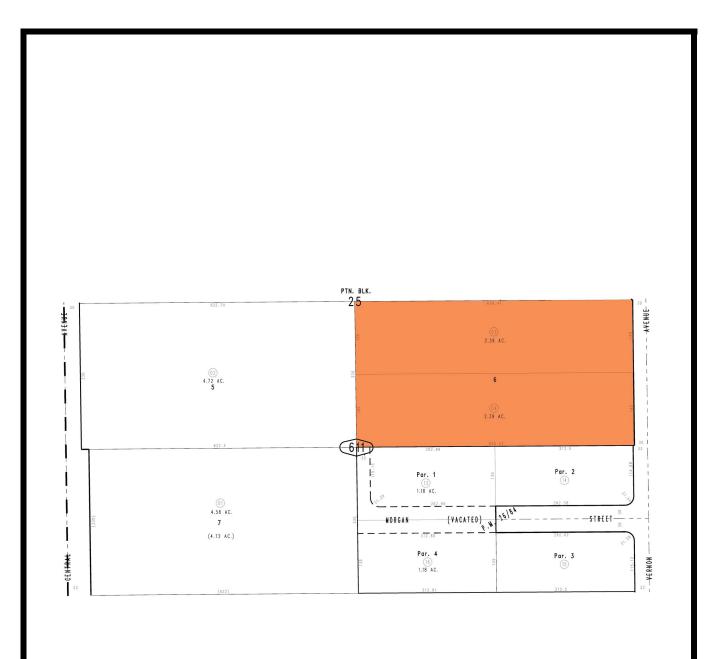


View west along Holt Boulevard

SUBJECT NO. 11 COUNTY PARK



PLAT MAP





SUBJECT NO. 11 County Park APNs 1011-611-03 & -04

Location:	The property is located on the west side of Vernon Avenue, north of Morgan Street. The situs address is 11206-11244 Vernon Avenue.
Assessor's Parcel Nos.:	1011-611-03, 04
Site Description	
Size:	4.78 acres, or 208,217 square feet
Shape/Frontage:	The subject property has a rectangular shape with approximately 330 feet of frontage along Vernon Avenue.
Zoning:	The subject property is zoned RS-1 (Single Residential–1 Acre). The Single Residential land use zoning district provides sites for single-family residential uses, incidental agricultural and recreational uses, and similar and compatible uses. Some of the allowed uses are single dwellings, guest housing, child/family care home, residential care facilities of 6 or fewer persons, accessory crop production, produce stand, and accessory structures. Some of the permitted uses (requiring a site plan permit) and conditionally permitted uses are meeting places, places of worship, schools, mobile home park, waste disposal and treatment, and utility facilities.
General Plan:	The San Bernardino County General Plan indicates the subject has a land use designation of Single Residential. The San Bernardino County General Plan coincides with the RS-1 regulations set forth by the zoning code.
Surrounding Land Use/Category:	Single-family residential, vacant land
Topography:	Generally level and at street grade.
Flood Zone:	Unshaded Zone X (06071C8616H)

Improvement Description

The subject property is essentially a vacant land parcel with some perimeter chainlink fencing and five (5) trees. The cost new of the improvements are as follows:

• • • •	Chainlink fencing Trees (5) Contingency (10%) Consulting Fees (9%) City Management (5%	Subtotal 6) Total		\$16,800 <u>\$ 5,000</u> \$21,800 \$ 2,180 \$ 1,962 <u>\$ 1,090</u> \$27,032					
Summary of Valuation Analysis									
Improvements	Replacement Cost Ne	W	\$	27,032					
Less: Average Accrued Depreciation @ 70%			\$	15,422 (Trees Excluded)					
Improvements Depreciated Replacement Value			\$	11,610					
Plus: Underlyi	Plus: Underlying Land Value								
	ensity Residential Lan 7 Sq. Ft. x \$26 per Sq.		<u>\$5,</u>	413,642					
Estimated Ma	Estimated Market Value (Rounded)			\$5,425,000					

SUBJECT PROPERTY PHOTOGRAPHS



View southwest across subject property



View northwest across subject property

SUBJECT PROPERTY PHOTOGRAPHS



View north along Vernon Avenue



View south along Vernon Avenue

Market Value Conclusion

The purpose of this appraisal is to estimating the market value of the identified subject properties, as of current date, for asset management and budgetary purposes for the City of Montclair and its legal counsel. The opinions of market value expressed are for each property assuming individual marketing and sale. A valuation of all subject properties in bulk has not been performed, and the sum of the retail values does not represent an overall bulk value of all properties.

This report is intended for use by the City of Montclair, their legal counsel, and their financial consultants for asset management/financing purposes. This report is privileged and confidential. Use of this report by others is not intended by the appraisers unless written permission is received from the appraiser(s).

The market values of the subject properties have been estimated utilizing the Cost Approach and Sales Comparison Approaches (underlying land value), where applicable. As shown on the Subject Value Summary below, the subject property market values are summarized as follows:

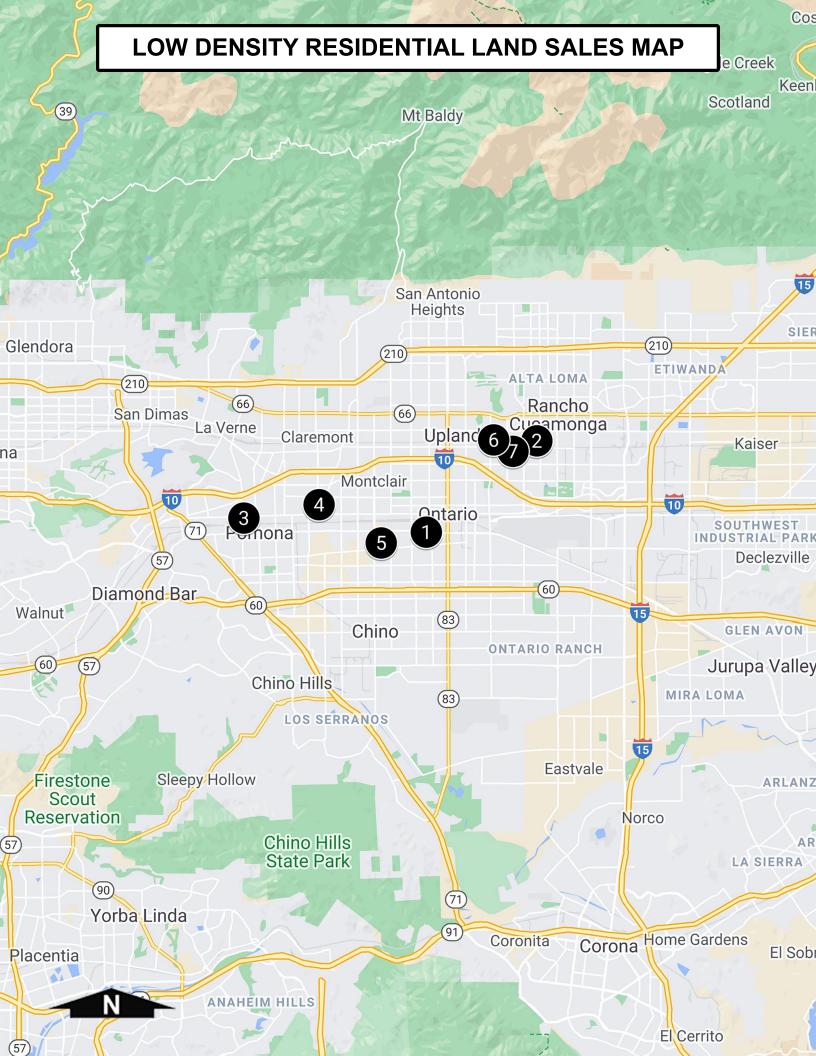
Park Name	Market Value
Essex park	\$4,257,000
MacArthur Park	\$3,439,000
Mini Park #1	\$568,000
Mini Park #2	\$79,000
Moreno Vista Park	\$1,740,000
Saratoga Park	\$16,797,000
Sunrise Park	\$3,344,000
Sunset Park	\$9,739,000
Sycamore Park	\$2,009,000
Reeder Ranch	\$1,710,000
County park	\$5,425,000
Total Value (Rounded)	\$49,107,000

Market Data

Low Density Residential Land Sales Summary & Map Low Density Residential Land Sales Photographs & Plats Medium-High Density Residential Land Sales Summary & Map Medium-High Density Residential Land Sales Photographs & Plats Commercial-Mixed Use Land Sales Summary & Map Commercial-Mixed Use Land Sales Photographs & Plats

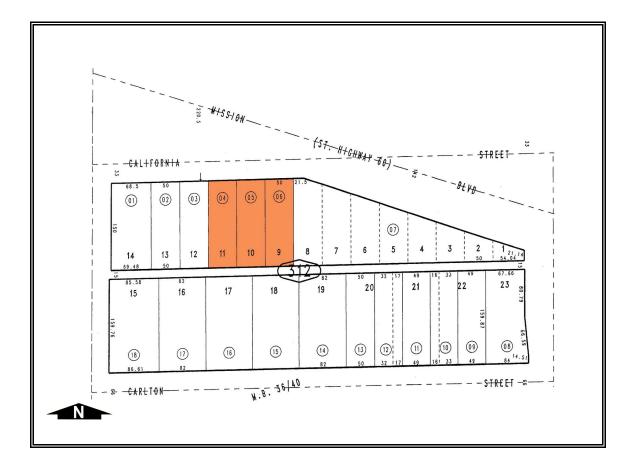
LOW DENSITY RESIDENTIAL LAND SALES SUMMARY AND MAP

	LOW DENSITY RESIDENTIAL LAND SALES					
Data No.	Location APN Seller / Buyer	Rec Date Doc No.	Sale Price	Land Area (Sq Ft)	Zoning	Price (Sq Ft)
1	743 California Street, Ontario 1049-312-04, 05, 06 Keener Family Trust / Tiffhugh Investment, LLC	12/30/2019 19-481749	\$400,000	22,500	MDR-18	\$17.78
2	9277 9th Street, Rancho Cucamonga 0207-244-08 <i>Koliva Real Estate / Steven Park</i>	8/28/2020 20-316401	\$230,000	7,558	LR	\$30.43
3	543 W. Center Street, Pomona 8340-027-012 Ronald Hill / Salvador Polina	9/16/2020 20-1118944	\$170,000	6,710	SP	\$25.34
4	1635 E. Kingsley Street, Pomona 8322-030-016 Philip & Zhi Wang / Fortune Weavers Inc	11/20/2020 20-1497094	\$540,000	15,158	R-3	\$35.62
5	11182 Vernon Avenue, Ontario 1011-501-54 Frances Ransel / Jose Villalpando	12/2/2020 20-487288	\$210,000	20,004	RS-20M	\$10.50
6	8175 9th Street, Rancho Cucamonga 0207-242-09 Namatalla Shenouda et al / Salvador Polina	3/8/2021 21-105536	\$240,000	7,875	LR	\$30.48
7	NS of Olive Street, W of N. Vineyard Avenue, Ontario 0108-481-18 thru 27 X&W Investments, LLC / CFC-Olive, LP	3/31/2021 21-146838	\$1,380,000	79,879	LDR-5	\$17.28
		AVERAGE MINIMUM MAXIMUM	\$452,857 \$170,000 \$1,380,000	22,812 6,710 79,879		\$23.92 \$10.50 \$35.62



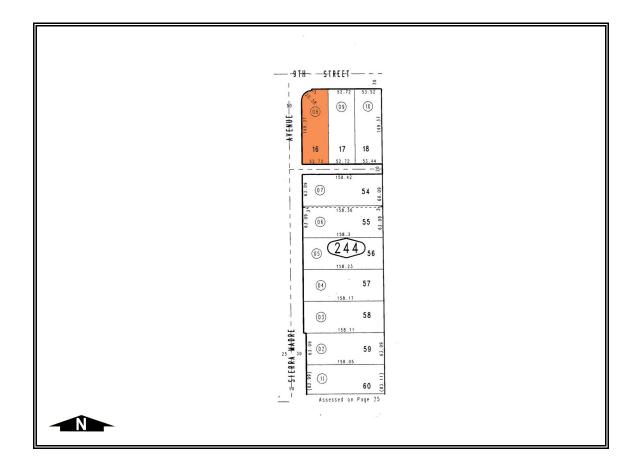


DATA NO. 1 743 California Street, Ontario



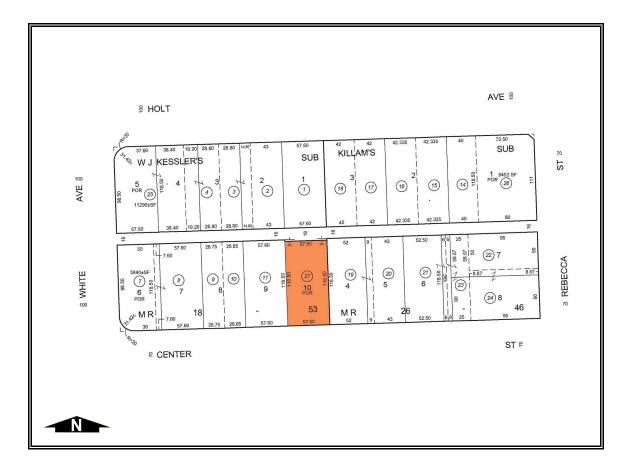


DATA NO. 2 9277 9th Street, Rancho Cucamonga



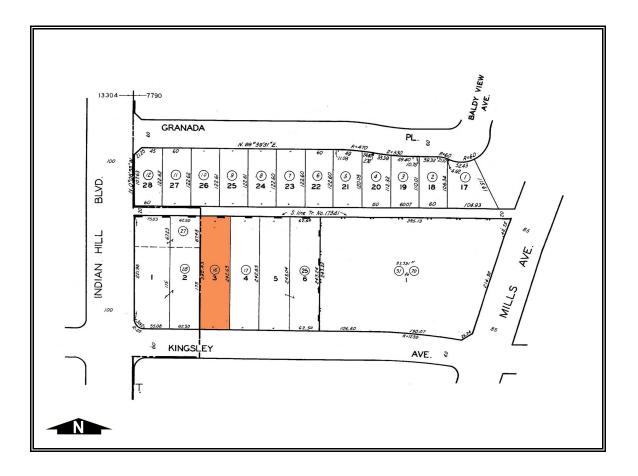


DATA NO. 3 543 West Center Street, Pomona



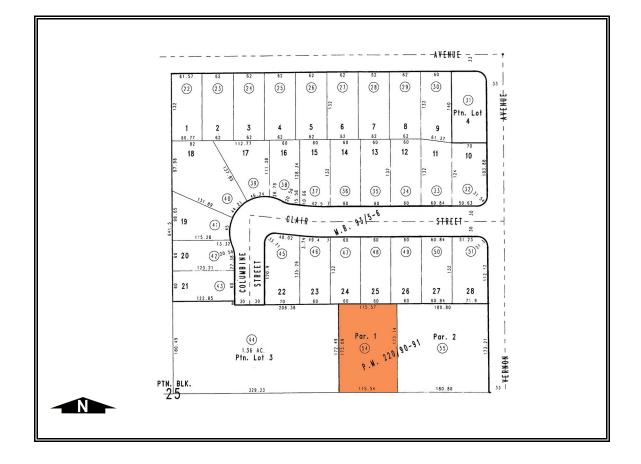


DATA NO. 4 1635 East Kingsley Street, Pomona



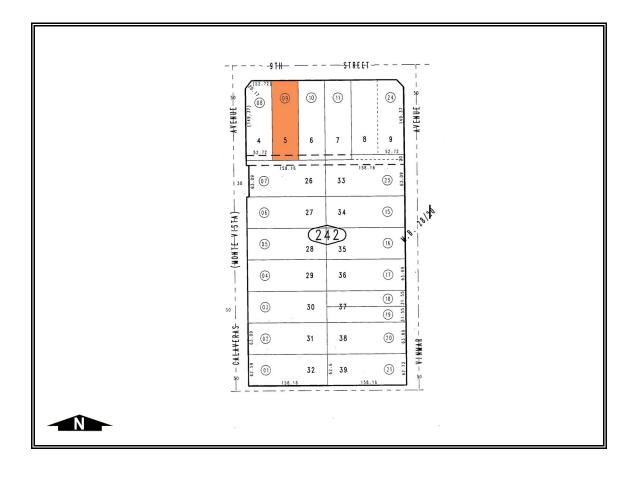


DATA NO. 5 11182 Vernon Avenue, Ontario



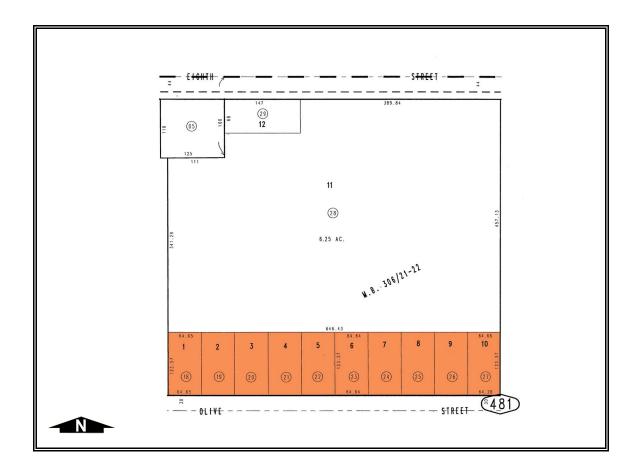


DATA NO. 6 8175 9th Street, Rancho Cucamonga



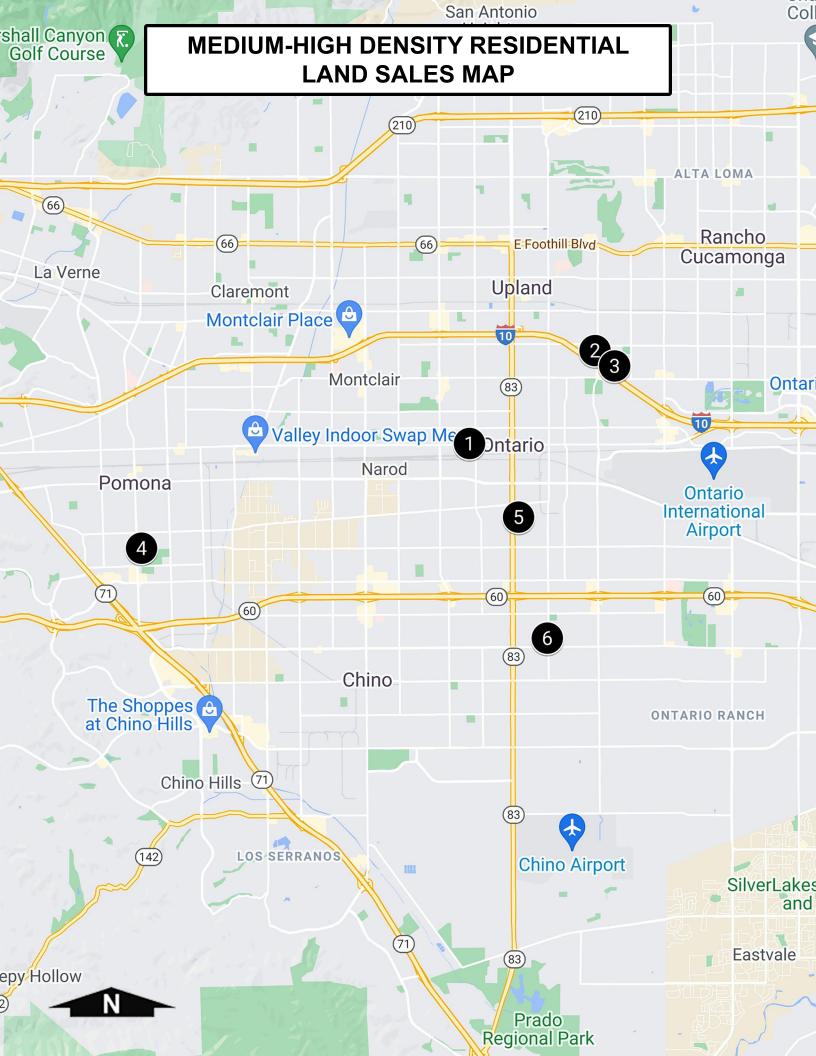


DATA NO. 7 North side of Olive Street, west of North Vineyard Avenue, Ontario



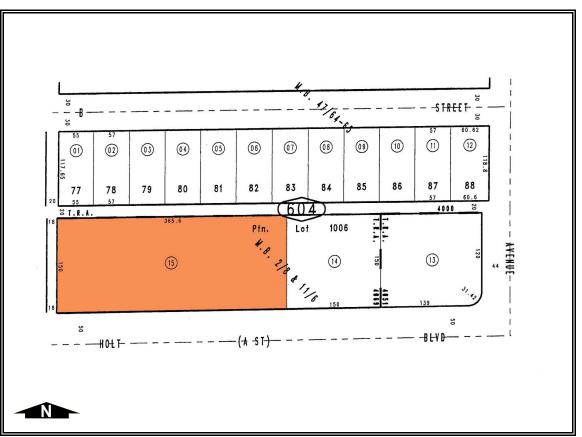
MEDIUM-HIGH DENSITY RESIDENTIAL LAND SALES SUMMARY AND MAP

	MEDIUM-HIGH DENSITY RESIDENTIAL LAND SALES							
Data No.	Location APN Seller / Buyer	Rec Date Doc No.	Sale Price	Land Area (Sq Ft)	Zoning	Price (Sq Ft)		
1	740-760 W. Holt Boulevard, Ontario 1048-604-15 Rahebi, Farid / AJ1 Development, LLC	8/23/2018 18-309919	\$1,565,000	54,840	MDR-25-ICC	\$28.54		
2	1411 N. Grove Avenue, Ontario 1047-433-16 Bankruptcy Estate Accel. / Weissman Living Trust	11/7/2019 19-401871	\$900,000	47,110	HDR-45	\$19.10		
3	1466 E. 5th Street, Ontario 0108-511-16 & -17 Marik, Jaroslav & Jirina / Sunnybrook Homes, LLC	12/27/2019 19-478298	\$1,700,000	104,105	HDR-45	\$16.33		
4	235 E Franklin Ave, Pomona 8328-002-049 Mario & Penny Medina / Franklin Partners LLC	9/23/2020 20-1156623	\$490,000	18,091	R-3	\$27.09		
5	207 E Budd St, Ontario 1050-081-14 Meadow Highlands LLC / RJPF Investment LLC et al	12/28/2020 20-528035	\$787,500	32,070	MDR-18	\$24.56		
6	2862 S. Campus Avenue, Ontario Portion of 1051-531-05 AGS, Ltd. / Meritage Homes of California, Inc.	3/19/2021 21-126634	\$8,740,000	320,344	MDR-18	\$27.28		
		AVERAGE MINIMUM MAXIMUM	\$2,363,750 \$490,000 \$8,740,000	96,093 18,091 320,344		\$23.82 \$16.33 \$28.54		



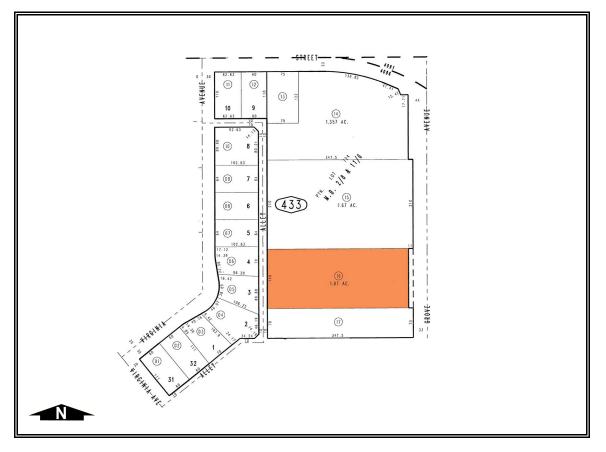


DATA NO. 1 740-760 West Holt Boulevard, Ontario



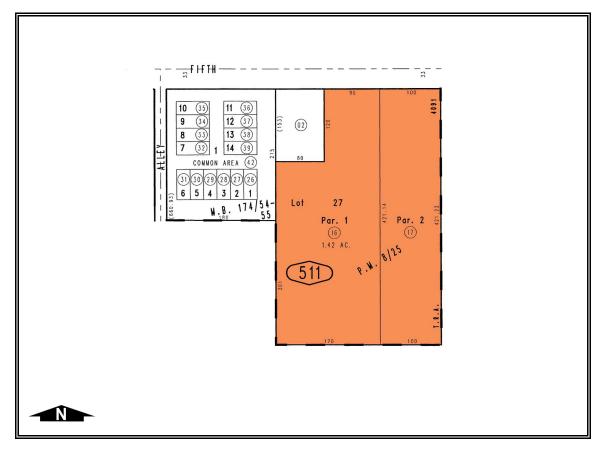


DATA NO. 2 1411 North Grove Avenue, Ontario



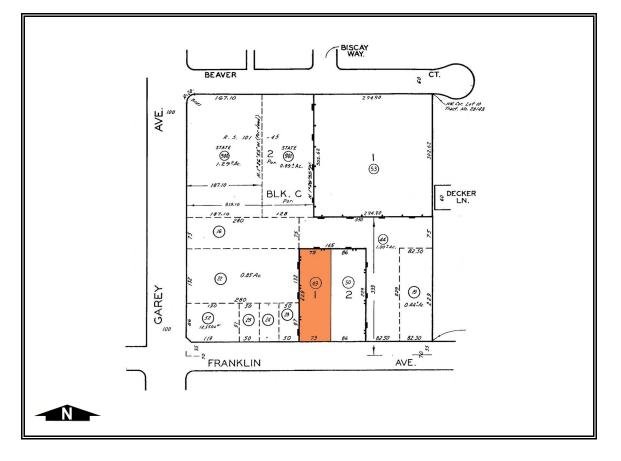


DATA NO. 3 1466 East 5th Street, Ontario



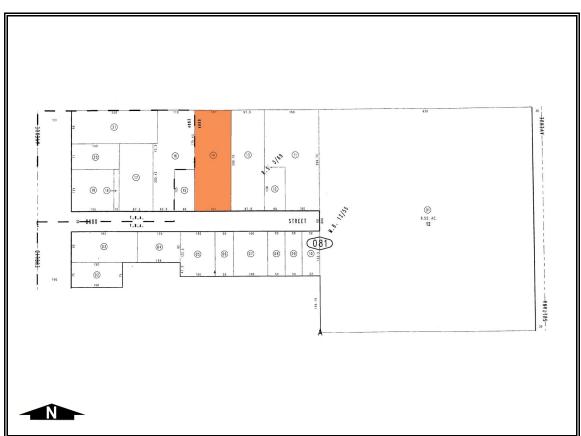


DATA NO. 4 235 East Franklin Avenue, Pomona



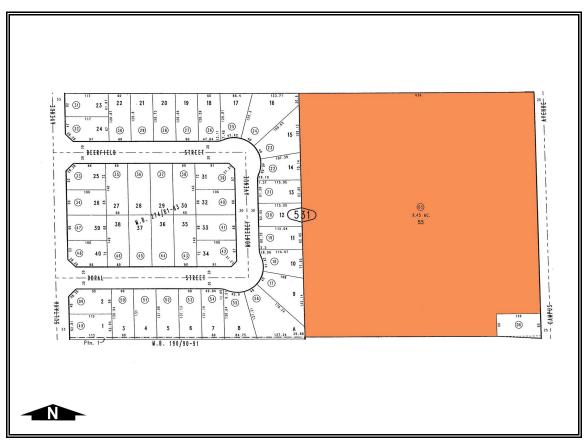


DATA NO. 5 207 East Budd Street, Ontario





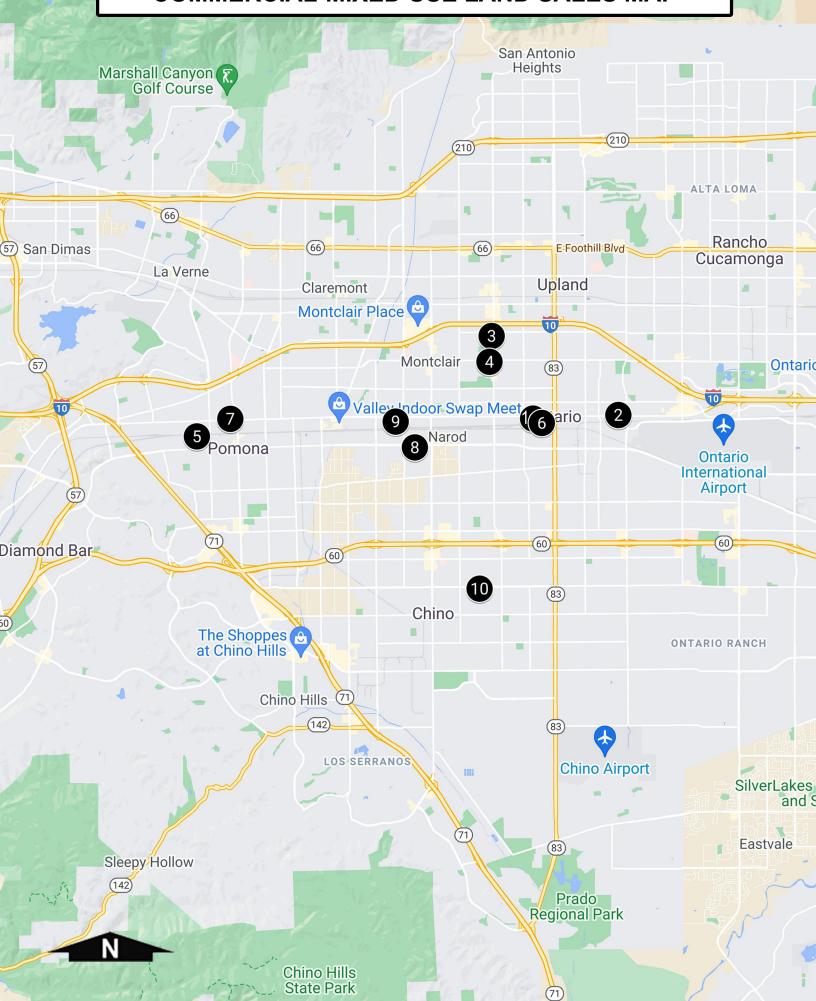
DATA NO. 6 2862 South Campus Avenue, Ontario



COMMERCIAL-MIXED USE LAND SALES SUMMARY AND MAP

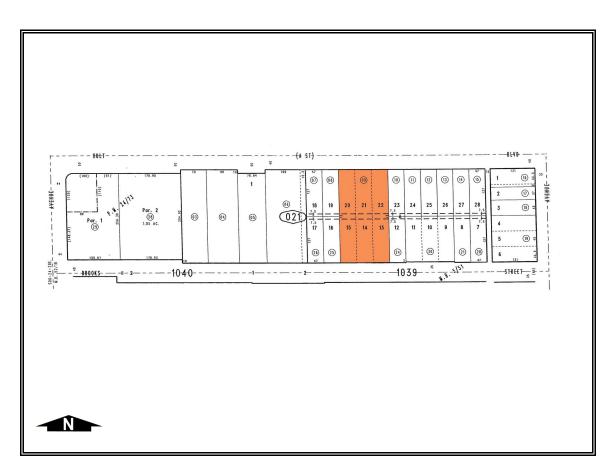
	COMMERCIAL-MIXED USE LAND SALES						
Data No.	Location APN Seller / Buyer	Rec Date Doc No.	Sale Price	Land Area (Sq Ft)	Zoning	Price (Sq Ft)	
1	549 W. Holt Boulevard, Ontario 1049-021-09 Leader Enterprises Company, Ltd. / Huynh, Kathy	7/13/2018 18-254847	\$785,000	35,814	MU-1	\$21.92	
2	1117 E. Holt Boulevard, Ontario 1048-471-14 Harb, Nadim / Sehgal, Viraj, et al	1/18/2019 19-18349	\$200,000	13,389	MU-2	\$14.94	
3	1437 N. Mountain Avenue, Ontario 1008-431-21, 22 Successor to the Ontario Redevelopment / Pacific lewis Proper	3/28/2019 19-95905 ties, et al	\$922,500	35,719	SP	\$25.83	
4	1129 W. 4th Street, Ontario 1010-132-05 Beatty, Eric / Promed Properties, LLC	6/12/2019 19-192119	\$900,000	42,200	СС	\$21.33	
5	120 S Hamilton Blvd, Pomona 8342-003-010 Wei & Jinbal Li / Defence Company	6/29/2020 20-706146	\$168,000	7,313	C-IND	\$22.97	
6	413 W. Emporia Street, Ontario 1049-059-03 <i>Holt Center Plaza, LLC / Dali V, LLC</i>	10/23/2020 20-408921	\$490,000	21,324	MU-1	\$22.98	
7	221 W Holt Ave, Pomona 8336-014-027 TFF Properties LLC / Shiloh 26 Management LLC	1/14/2021 21-72339	\$1,375,000	44,029	SP	\$31.23	
8	5053 Mission Boulevard, Montclair 1011-321-16 <i>United Business Bank / Jaber, Ayad & Fatina</i>	1/25/2021 21-35004	\$437,500	24,276	C3	\$18.02	
9	4790 Brooks St, Montclair 1012-101-20 Steven & Stella Grigolla / MV Builders LLC	3/4/2021 21-100561	\$340,000	16,432	SP-BP	\$20.69	
10	5993 Riverside Drive, Chino 1020-101-46, 56 Boyle, Michael & Debra / EZBS Proeprties, LLC	3/24/2021 21-134457	\$1,087,500	53,340	CG	\$20.39	
		AVERAGE MINIMUM MAXIMUM	\$670,550 \$168,000 \$1,375,000	29,384 7,313 53,340		\$22.03 \$14.94 \$31.23	

COMMERCIAL-MIXED USE LAND SALES MAP



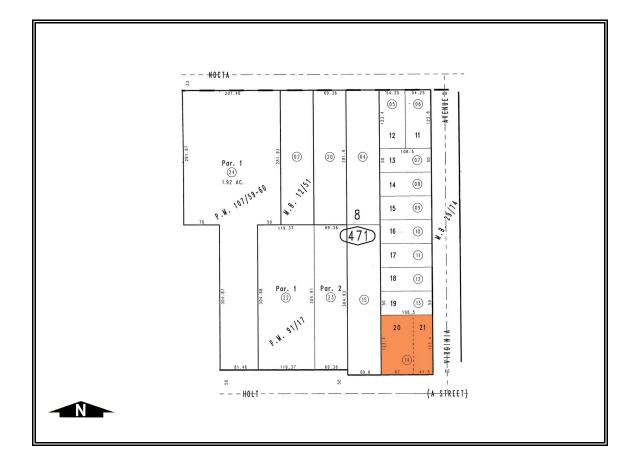


DATA NO. 1 549 West Holt Boulevard, Ontario



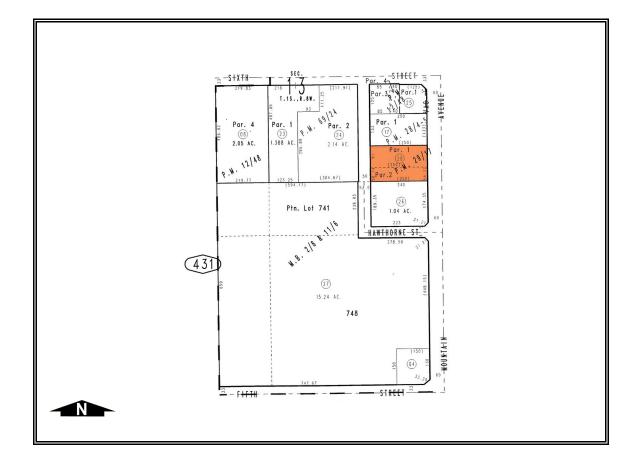


DATA NO. 2 1117 East Holt Boulevard, Ontario





DATA NO. 3 1437 North Mountain Avenue, Ontario



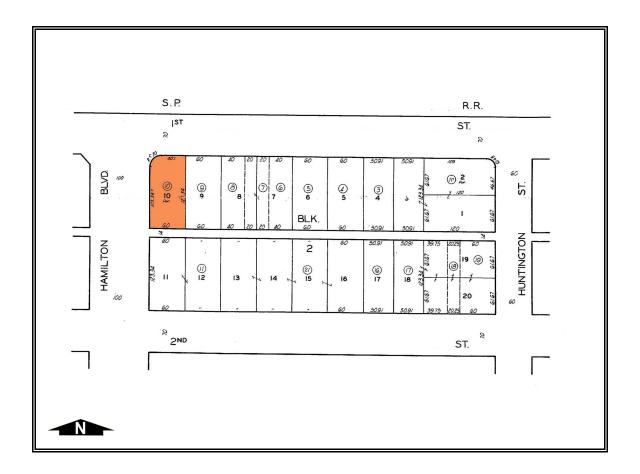


DATA NO. 4 1129 West 4th Street, Ontario



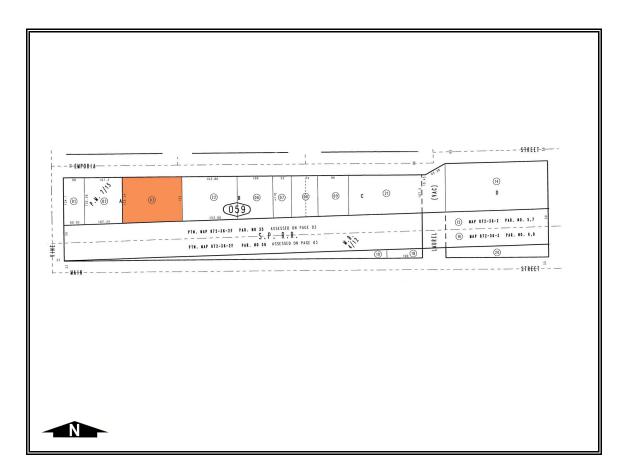


DATA NO. 5 120 South Hamilton Boulevard, Pomona



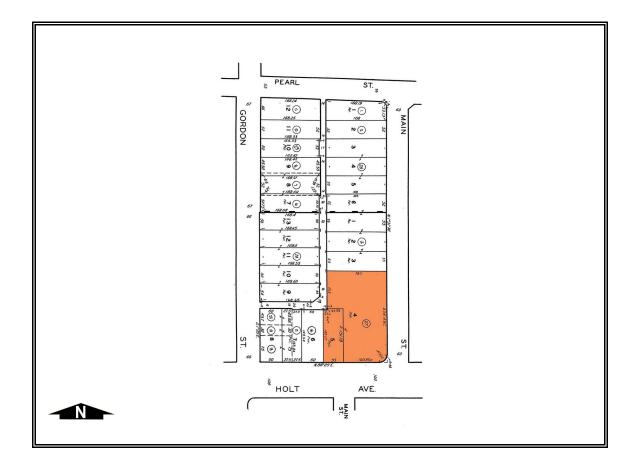


DATA NO. 6 413 West Emporia Street, Ontario



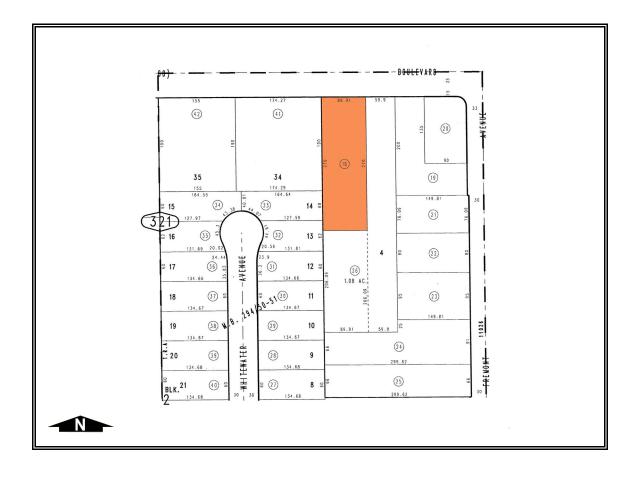


DATA NO. 7 221 West Holt Avenue, Pomona



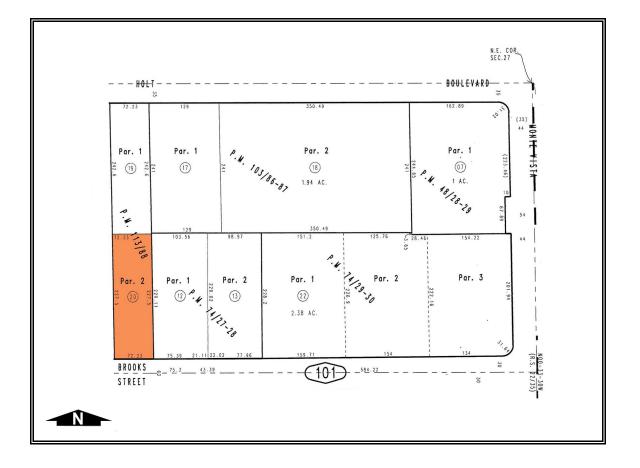


DATA NO. 8 5053 Mission Boulevard, Montclair





DATA NO. 9 4790 Brooks Street, Montclair





DATA NO. 10 5993 Riverside Drive, Chino



ADDENDA Preliminary Title Report Appraisal Qualifications PRELIMINARY TITLE REPORT



ALTA Commitment for Title Insurance

ISSUED BY



First American Title Insurance Company

File No: NCS-1076006-LA2

COMMITMENT FOR TITLE INSURANCE

Issued By

FIRST AMERICAN TITLE INSURANCE COMPANY

NOTICE

IMPORTANT-READ CAREFULLY: THIS COMMITMENT IS AN OFFER TO ISSUE ONE OR MORE TITLE INSURANCE POLICIES. ALL CLAIMS OR REMEDIES SOUGHT AGAINST THE COMPANY INVOLVING THE CONTENT OF THIS COMMITMENT OR THE POLICY MUST BE BASED SOLELY IN CONTRACT.

THIS COMMITMENT IS NOT AN ABSTRACT OF TITLE, REPORT OF THE CONDITION OF TITLE, LEGAL OPINION, OPINION OF TITLE, OR OTHER REPRESENTATION OF THE STATUS OF TITLE. THE PROCEDURES USED BY THE COMPANY TO DETERMINE INSURABILITY OF THE TITLE, INCLUDING ANY SEARCH AND EXAMINATION, ARE PROPRIETARY TO THE COMPANY, WERE PERFORMED SOLELY FOR THE BENEFIT OF THE COMPANY, AND CREATE NO EXTRACONTRACTUAL LIABILITY TO ANY PERSON, INCLUDING A PROPOSED INSURED.

THE COMPANY'S OBLIGATION UNDER THIS COMMITMENT IS TO ISSUE A POLICY TO A PROPOSED INSURED IDENTIFIED IN SCHEDULE A IN ACCORDANCE WITH THE TERMS AND PROVISIONS OF THIS COMMITMENT. THE COMPANY HAS NO LIABILITY OR OBLIGATION INVOLVING THE CONTENT OF THIS COMMITMENT TO ANY OTHER PERSON.

COMMITMENT TO ISSUE POLICY

Subject to the Notice; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions; and the Commitment Conditions, *First American Title Insurance Company*, a Nebraska Corporation (the "Company"), commits to issue the Policy according to the terms and provisions of this Commitment. This Commitment is effective as of the Commitment Date shown in Schedule A for each Policy described in Schedule A, only when the Company has entered in Schedule A both the specified dollar amount as the Proposed Policy Amount and the name of the Proposed Insured.

If all of the Schedule B, Part I-Requirements have not been met within six months after the Commitment Date, this Commitment terminates and the Company's liability and obligation end.

First American Title Insurance Company

Muy L Smith

Dennis J. Gilmore, President

Greg L. Smith, Secretary

If this jacket was created electronically, it constitutes an original document.

This page is only a part of a 2016 ALTA® Commitment for Title Insurance issued by First American Title Insurance Company. This Commitment is not valid without the Notice; the Commitment to Issue Policy; the Commitment Conditions; Schedule A; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions.

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Form 50003700 (8-23-18)	Page 1 of 25	ALTA Commitment for Title Insurance (8-1-16)
	-	California

COMMITMENT CONDITIONS

1. DEFINITIONS

- (a) "Knowledge" or "Known": Actual or imputed knowledge, but not constructive notice imparted by the Public Records.
- (b) "Land": The land described in Schedule A and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is to be insured by the Policy.
- (c) "Mortgage": A mortgage, deed of trust, or other security instrument, including one evidenced by electronic means authorized by law.
- (d) "Policy": Each contract of title insurance, in a form adopted by the American Land Title Association, issued or to be issued by the Company pursuant to this Commitment.
- (e) "Proposed Insured": Each person identified in Schedule A as the Proposed Insured of each Policy to be issued pursuant to this Commitment.
- (f) "Proposed Policy Amount": Each dollar amount specified in Schedule A as the Proposed Policy Amount of each Policy to be issued pursuant to this Commitment.
- (g) "Public Records": Records established under state statutes at the Commitment Date for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge.
- (h) "Title": The estate or interest described in Schedule A.
- 2. If all of the Schedule B, Part I—Requirements have not been met within the time period specified in the Commitment to Issue Policy, this Commitment terminates and the Company's liability and obligation end.
- 3. The Company's liability and obligation is limited by and this Commitment is not valid without:
 - (a) the Notice;
 - (b) the Commitment to Issue Policy;
 - (c) the Commitment Conditions;
 - (d) Schedule A;
 - (e) Schedule B, Part I-Requirements; and
 - (f) Schedule B, Part II—Exceptions.

4. COMPANY'S RIGHT TO AMEND

The Company may amend this Commitment at any time. If the Company amends this Commitment to add a defect, lien, encumbrance, adverse claim, or other matter recorded in the Public Records prior to the Commitment Date, any liability of the Company is limited by Commitment Condition 5. The Company shall not be liable for any other amendment to this Commitment.

5. LIMITATIONS OF LIABILITY

- (a) The Company's liability under Commitment Condition 4 is limited to the Proposed Insured's actual expense incurred in the interval between the Company's delivery to the Proposed Insured of the Commitment and the delivery of the amended Commitment, resulting from the Proposed Insured's good faith reliance to:
 - (i) comply with the Schedule B, Part I—Requirements;
 - (ii) eliminate, with the Company's written consent, any Schedule B, Part II-Exceptions; or
 - (iii) acquire the Title or create the Mortgage covered by this Commitment.
- (b) The Company shall not be liable under Commitment Condition 5(a) if the Proposed Insured requested the amendment or had Knowledge of the matter and did not notify the Company about it in writing.
- (c) The Company will only have liability under Commitment Condition 4 if the Proposed Insured would not have incurred the expense had the Commitment included the added matter when the Commitment was first delivered to the Proposed Insured.
- (d) The Company's liability shall not exceed the lesser of the Proposed Insured's actual expense incurred in good faith and described in Commitment Conditions 5(a)(i) through 5(a)(iii) or the Proposed Policy Amount.
- (e) The Company shall not be liable for the content of the Transaction Identification Data, if any.
- (f) In no event shall the Company be obligated to issue the Policy referred to in this Commitment unless all of the Schedule B, Part I—Requirements have been met to the satisfaction of the Company.
- (g) In any event, the Company's liability is limited by the terms and provisions of the Policy.

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Form 50003700 (8-23-18)	Page 2 of 25	ALTA Commitment for Title Insurance (8-1-16)
		California

This page is only a part of a 2016 ALTA® Commitment for Title Insurance issued by First American Title Insurance Company. This Commitment is not valid without the Notice; the Commitment to Issue Policy; the Commitment Conditions; Schedule A; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions.

6. LIABILITY OF THE COMPANY MUST BE BASED ON THIS COMMITMENT

- (a) Only a Proposed Insured identified in Schedule A, and no other person, may make a claim under this Commitment.
- (b) Any claim must be based in contract and must be restricted solely to the terms and provisions of this Commitment.
- (c) Until the Policy is issued, this Commitment, as last revised, is the exclusive and entire agreement between the parties with respect to the subject matter of this Commitment and supersedes all prior commitment negotiations, representations, and proposals of any kind, whether written or oral, express or implied, relating to the subject matter of this Commitment.
- (d) The deletion or modification of any Schedule B, Part II—Exception does not constitute an agreement or obligation to provide coverage beyond the terms and provisions of this Commitment or the Policy.
- (e) Any amendment or endorsement to this Commitment must be in writing and authenticated by a person authorized by the Company.
- (f) When the Policy is issued, all liability and obligation under this Commitment will end and the Company's only liability will be under the Policy.

7. IF THIS COMMITMENT HAS BEEN ISSUED BY AN ISSUING AGENT

The issuing agent is the Company's agent only for the limited purpose of issuing title insurance commitments and policies. The issuing agent is not the Company's agent for the purpose of providing closing or settlement services.

8. PRO-FORMA POLICY

The Company may provide, at the request of a Proposed Insured, a pro-forma policy illustrating the coverage that the Company may provide. A pro-forma policy neither reflects the status of Title at the time that the pro-forma policy is delivered to a Proposed Insured, nor is it a commitment to insure.

9. ARBITRATION

Arbitration provision intentionally removed.

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First American

Schedule A

ALTA Commitment for Title Insurance

ISSUED BY

First American Title Insurance Company

File No: NCS-1076006-LA2

Transaction Identification Data for reference only:

Issuing Agent: First American Title Insurance Company National
Commercial ServicesIssuing Office: 777 South Figueroa Street, Suite 400,
Los Angeles, CA 90017Commitment No.: NCS-1076006-LA2Issuing Office File No.: NCS-1076006-LA2Property Address: Vacant Land, Montclair, CaliforniaEscrow Officer/Assistant: /
Phone: /

Issuing Office: 777 South Figueroa Street, Suite 400, Los Angeles, CA 90017 Issuing Office File No.: NCS-1076006-LA2 Escrow Officer/Assistant: / Phone: / Email: / Title Officer/Assistant: Liz Thymius/Nvart Hovsepian Phone: (213)271-1700/(213)271-1733 Email: FACA-RA-TeamThymius@firstam.com/FACA-RA-TeamThymius@firstam.com

SCHEDULE A

Amended 8/24/21 1) Item 24 deleted.

- 1. Commitment Date: July 21, 2021 at 7:30 AM
- 2. Policy to be issued:
 - (a) □ 2006 ALTA® Policy Proposed Insured: Proposed Policy Amount: \$ 0.00
 - (b) ⊠ 2006 ALTA® Extended Loan Policy Proposed Insured: To Be Determined Proposed Policy Amount: \$ TBD
 - (c) □ 2006 ALTA® Policy Proposed Insured: Proposed Policy Amount: \$
- 3. The estate or interest in the Land described or referred to in this Commitment is

Fee

4. The Title is, <u>at the Commitment Date, vested in</u>:

City of Montclair, a municipal corporation

5. The Land is described as follows:

See Exhibit "A" attached hereto and made a part hereof

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ALTA Commitment for Title Insurance

First American Title Insurance Company

File No: NCS-1076006-LA2

Commitment No.: NCS-1076006-LA2

SCHEDULE B, PART I

Requirements

All of the following Requirements must be met:

- A. The Proposed Insured must notify the Company in writing of the name of any party not referred to in this Commitment who will obtain an interest in the Land or who will make a loan on the Land. The Company may then make additional Requirements or Exceptions.
- B. Pay the agreed amount for the estate or interest to be insured.
- C. Pay the premiums, fees, and charges for the Policy to the Company.
- D. Documents satisfactory to the Company that convey the Title or create the Mortgage to be insured, or both, must be properly authorized, executed, delivered, and recorded in the Public Records.
- E. Releases(s) or Reconveyance(s) of Item(s): None
- F. Other: None
- G. You must give us the following information:
 - a. Any off record leases, surveys, etc.
 - b. Statement(s) of Identity, all parties.
 - c. Other: None

The following additional requirements, as indicated by "X", must be met:

[X] H. Provide information regarding any off-record matters, which may include, but are not limited to: leases, recent works of improvement, or commitment statements in effect under the Environmental Responsibility Acceptance Act, Civil Code Section 850, et seq.

The Company's Owner's Affidavit form (as provided by the company) must be completed and submitted prior to close in order to satisfy this requirement. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.

[] I. An ALTA/NSPS survey of recent date, which complies with the current minimum standard detail requirements for ALTA/NSPS land title surveys, must be submitted to the Company for review. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.

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[] J. The following LLC documentation is required from:

(i) a copy of the Articles of Organization
(ii) a copy of the Operating Agreement, if applicable
(iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
(iv) express Company Consent to the current transaction

[] K. The following partnership documentation is required :

 (i) a copy of the partnership agreement, including all applicable amendments thereto
 (ii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State

(iii) express Partnership Consent to the current transaction

[] L. The following corporation documentation is required:

(i) a copy of the Articles of Incorporation
(ii) a copy of the Bylaws, including all applicable Amendments thereto
(iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
(iv) express Corporate Resolution consenting to the current transaction

- [] M. Based upon the Company's review of that certain partnership/operating agreement dated Not disclosed for the proposed insured herein, the following requirements must be met: Any further amendments to said agreement must be submitted to the Company, together with an affidavit from one of the general partners or members stating that it is a true copy, that said partnership or limited liability company is in full force and effect, and that there have been no further amendments to the agreement. This Commitment will then be subject to such further requirements as may be deemed necessary.
- [] N. A copy of the complete lease, as referenced in Schedule A, #3 herein, together with any amendments and/or assignments thereto, must be submitted to the Company for review, along with an affidavit executed by the present lessee stating that it is a true copy, that the lease is in full force and effect, and that there have been no further amendments to the lease. This Commitment will then be subject to such further requirements as may be deemed necessary.
- [X] O. Approval from the Company's Underwriting Department must be obtained for issuance of the policy contemplated herein and any endorsements requested thereunder. This Commitment will then be subject to such further requirements as may be required to obtain such approval.
- [] P. Potential additional requirements, if ALTA Extended coverage is contemplated hereunder, and work on the land has commenced prior to close, some or all of the following requirements, and any other requirements which may be deemed necessary, may need to be met:
- [] Q. The Company's "Indemnity Agreement I" must be executed by the appropriate parties.

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- [] R. Financial statements from the appropriate parties must be submitted to the Company for review.
- [] S. A copy of the construction contract must be submitted to the Company for review.
- [] T. An inspection of the Land must be performed by the Company for verification of the phase of construction.
- [] U. The Company's "Mechanic's Lien Risk Addendum" form must be completed by a Company employee, based upon information furnished by the appropriate parties involved.

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ALTA Commitment for Title Insurance

Schedule BI & BII (Cont.)

First American Title Insurance Company

File No: NCS-1076006-LA2

Commitment No.: NCS-1076006-LA2

SCHEDULE B, PART II

Exceptions

THIS COMMITMENT DOES NOT REPUBLISH ANY COVENANT, CONDITION, RESTRICTION, OR LIMITATION CONTAINED IN ANY DOCUMENT REFERRED TO IN THIS COMMITMENT TO THE EXTENT THAT THE SPECIFIC COVENANT, CONDITION, RESTRICTION, OR LIMITATION VIOLATES STATE OR FEDERAL LAW BASED ON RACE, COLOR, RELIGION, SEX, SEXUAL ORIENTATION, GENDER IDENTITY, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN.

The Policy will not insure against loss or damage resulting from the terms and provisions of any lease or easement identified in Schedule A, and will include the following Exceptions unless cleared to the satisfaction of the Company:

- 1. Any defect, lien, encumbrance, adverse claim, or other matter that appears for the first time in the Public Records or is created, attaches, or is disclosed between the Commitment Date and the date on which all of the Schedule B, Part I-Requirements are met.
- 2. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 3. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
- 4. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 5. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
- 6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
- 7. General and special taxes and assessments for the fiscal year 2021-2022, a lien not yet due or payable.
- 8. General and special taxes and assessments for the fiscal year 2020-2021 are exempt. If the exempt status is terminated an additional tax may be levied. A.P. No.: 1012-381-30-0-000, 1008-311-06-0-

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000, 1008-311-17-0-000, 1008-311-18-0-000, 1009-061-06-0-000, 1009-061-07-0-000, 1009-061-08-0-000, 1009-043-01-0-000, 1009-081-64-0-000, 1010-591-17-0-000, 1008-582-01-0-000, 1009-391-06-0-000, 1009-391-07-0-000, 1009-391-17-0-000, 1009-391-19-0-000, 1009-391-21-0-000, 1009-391-22-0-000, 1009-391-29-0-000, 1009-383-18-0-000, 1008-161-35-0-000, 1012-051-04-0-000, 1011-611-03-0-000 and 1011-611-04-0-000.

9. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

The Following Matters Affect Parcel A:

- 10.
 An easement for water pipe lines and incidental purposes, recorded in Book 177, Page 142 of Official Records.

 In Favor of:
 Del Monte Irrigation company

 Affects:
 As described therein
- 11.
 An easement for drainage purposes and the center line and incidental purposes, recorded in Book

 9121, Page 752
 of Official Records.

 In Favor of:
 City of Montclair

 Affects:
 As described therein
- 12. An easement for street and highway purposes and incidental purposes, recorded in Book 9243, Page 936 of Official Records. In Favor of: Affects: Affects: Affects: City of Montclair As described therein
- An easement for storm drain purposes and incidental purposes, recorded July 07, 1993 as Instrument No. <u>93-288868</u> of Official Records. In Favor of: Affects:
 City of Montclair As described therein

The Following Matters Affect Parcel B:

- 14. An easement for pipe lines and incidental purposes in the document recorded November 19, 1892 in Book 168 of Deeds, Page 92.
- 15.
 An easement for pipe lines and incidental purposes, recorded October 01, 1895 in Book 217 of Deeds, Page 211.

 In Favor of:
 Sycamore Water Development Company, a corporation Affects:

 Affects:
 As described therein
- 16. Abutter's rights of ingress and egress to or from State Freeway Route 26 have been relinquished in the document recorded February 14, 1957 in <u>Book 4157, Page 135</u> of Official Records.
- 17. Abutter's rights of ingress and egress to or from Freeway have been relinquished in the document recorded August 15, 1968 in <u>Book 7077, Page 435</u> of Official Records.

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The Following Matters Affect Parcel C:

18. An easement for pipe lines and incidental purposes, recorded October 01, 1895 in <u>Book 217 of</u> <u>Deeds, Page 211</u>.

In Favor of:Title Insurance and Trust companyAffects:As described therein

- 19. An easement for pipe lines and incidental purposes in the document recorded November 15, 1892 in Book 168 of Deeds, Page 92.
- 20. An easement for water pipe lines and incidental purposes in the document recorded May 05, 1926 in Book 93, Page 247 of Official Records.
- 21. Abutter's rights of ingress and egress to or from State Freeway Route 26 have been relinquished in the document recorded January 03, 1951 in <u>Book 2696, Page 61</u> of Official Records and by Deed recorded April 12, 1957 in <u>Book 4204, Page 520</u> of Official Records.

An easement for underground sanitary sewer pipelines and incidental purposes, recorded March 25, 1969 in Book 7202, Page 383 of Official Records.
 In Favor of:
 City of Montclair, a municipal corporation, its successors and assigns
 Affects:
 As described therein

- 23. Abutter's rights of ingress and egress to or from Freeway have been relinquished in the document recorded February 03, 1971 in Book 7603, Page 17 of Official Records.
- 24. This item has been intentionally deleted.
- 25. Abutter's rights of ingress and egress to or from Freeway have been relinquished in the document recorded February 20, 2020 as Instrument No. <u>2020-0061103</u> of Official Records.
- An easement for underground electric supply systems and communication systems and incidental purposes, recorded February 20, 2020 as Instrument No. <u>2020-0061107</u> of Official Records. In Favor of:
 Southern California Edison Company, a corporation, its successors and assigns
 Affects:
- 27.An easement for Permanent subsurface easement (footing) and incidental purposes,
recorded February 20, 2020 as Instrument No. 2020-0061108 of Official Records.In Favor of:San Bernardino County Transportation
Affects:Affects:As described therein
- 28.An easement for construction purposes and incidental purposes, recorded February 20, 2020 as
Instrument No. 2020-0061113 of Official Records.In Favor of:San Bernardino County Transportation Authority
Affects:Affects:As described therein

The Following Matters Affect Parcel D:

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- An easement for pipe lines and incidental purposes, recorded April 01, 1910 in Book 355 of Deeds, Page 132.
 In Favor of: Pomona Land & Water Company, a corporation Affects: As described therein
- 30. An easement for pipe lines and incidental purposes, recorded April 29, 1911 in Book 480 of Deeds, Page 2. In Favor of: Mount Antonio Water Company, a corporation Affects: As described therein
- 31.
 An easement for pole lines and incidental purposes, recorded July 22, 1949 in Book 2438, Page

 158
 of Official Records.

 In Favor of:
 Associated Telephone Company, Ltd.

 Affects:
 As described therein

The Following Matters Affect Parcel E:

 32. An easement for pipe lines and incidental purposes, recorded April 01, 1910 in Book 355 of Deeds, Page 132.
 In Favor of: Pomona Land & Water Company, a corporation Affects: As described therein

 An easement for pipe lines and incidental purposes, recorded April 29, 1911 in Book 480 of Deeds, Page 2.
 In Favor of: Mount Antonio Water Company, a corporation

In Favor of:	Mount Antonio Water Company, a corporation
Affects:	As described therein

34.An easement for pole lines and incidental purposes, recorded July 22, 1949 in Book 2438, Page164 of Official Records.In Favor of:Affects:Associated Telephone Company, Ltd.Affects:As described therein

The Following Matters Affect Parcel F:

 35.
 An easement for pole lines and incidental purposes, recorded July 22, 1949 in Book 2438, Page

 164 of Official Records.
 In Favor of:

 Affects:
 Associated Telephone Company, Ltd.

 Affects:
 As described therein

The Following Matters Affect Parcel G:

36. An easement for underground conduits manholes, pedestals, cables, wires, and appurtenances, for the transmission of electric energy for communication and incidental purposes, recorded August 19, 1971 in Book 7735, Page 606 of Official Records.
 In Favor of: General Telephone Company of California, a corporation Affects: As described therein

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The Following Matters Affect Parcel H:

37. An easement for ditches, pipe lines and incidental purposes, recorded February 28, 1893 in Book
 <u>177 of Deeds, Page 142</u>.
 In Favor of: Del Monte Irrigation, Co., a corporation

In Favor of:Del Monte Irrigation, Co., a corporatioAffects:As described therein

The location of the easement cannot be determined from record information.

 38. An easement for pipe lines and incidental purposes, recorded April 13, 1910 in Book 355 of Deeds, Page 332.
 In Favor of: Pomona Land & Water Co., a corporation Affects: As described therein

The location of the easement cannot be determined from record information.

39. An easement for pipe lines and for the maintenance and repair of the water system for the distribution of water and incidental purposes, recorded April 28, 1911 in Book 480 of Deeds, Page 2. In Favor of: Mont Antonio Water Co., a corporation Affects: As described therein

The location of the easement cannot be determined from record information.

Note: Said rights now vest of record in Monte Vista County Water District.

- An easement for developing oil and incidental purposes, recorded February 20, 1924 in Book 831 of Deeds, Page 247.
 In Favor of: Harvey M. Hanawalt & S. E. Hanawalt
 Affects: As described therein
- 41.An easement for flood control and channel rectification purposes and incidental purposes,
recorded March 31, 1959 in Book 4775, Page 471 of Official Records.In Favor of:United States of America
Affects:Affects:As described therein
- 42.
 An easement for pipe lines and incidental purposes, recorded May 02, 1963 in Book 5901, Page

 671 of Official Records.
 In Favor of:

 Chino Basin Water Conservation District

 Affects:
 As described therein

The Following Matters Affect Parcel I:

- 43. An easement for pipes and incidental purposes in the document recorded in <u>Book 137 of Deeds, Page</u> <u>389</u> and in <u>Book 145</u>, Page 393.
- 44. An easement for all pipes and incidental purposes in the document recorded in <u>Book 177 of Deeds</u>, <u>Page 142</u>.

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- 45. An easement for pipe lines and incidental purposes in the document recorded in Book 642 of Deeds, Page 235.
- 46. An easement for ingress, egress and pipeline and incidental purposes in the document recorded in Book 2931, Page 285 of Official Records.
- 47. An easement for public street and highway purposes and incidental purposes in the document recorded July 13, 1964 in Book 6188, Page 711 of Official Records.
- 48. The fact that the land lies within the boundaries of the Redevelopment Project No. 4 of the Community Redevelopment Agency of the City of Montclair, as disclosed by the document recorded July 16, 1982 as Instrument No. 82-138731 of Official Records.
- 49. An easement for underground electrical supply systems and communications systems and incidental purposes, recorded July 8, 1988 as Instrument No. 88-220192 of Official Records. Southern California Edison Company, a corporation In Favor of: Affects: As described therein
- An easement shown or dedicated on the map filed or recorded January 19, 1979 in Book 44, Page 91 50. of Parcel Maps. For:

Sanitary sewer and incidental purposes.

The Following Matters Affect Parcel J:

- 51. An easement for construct ditches and water pipe lines and incidental purposes, recorded February 28, 1893 in Book 177 of Deeds, Page 142. In Favor of: Del Monte Irrigation Company, a corporation Affects: As described therein
- 52. An easement for laying pipes and adequate for the conveyance of water and incidental purposes, recorded July 11, 1895 in Book 211 of Deeds, Page 396. In Favor of: H. K. Brandriff Affects: As described therein

The rights so reserved are now vested of record in the Title Insurance and Trust Company, a California corporation

An easement for flood control and channel rectification purposes and incidental purposes, 53. recorded January 30, 1958 in Book 4426, Page 103 of Official Records. In Favor of: United States of America Affects: as described therein

The Following Matters Affect Parcel K:

54. No recorded matters.

The Following Matters Affect Parcel L:

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- 55. An easement for public road and highway and incidental purposes, recorded March 13, 1961 as Instrument No. 494 in Book 5375, Page 409 of Official Records.
 In Favor of: The City of Montclair, a municipal corporation Affects: As described therein
- 56. An easement for public road and highway and incidental purposes, recorded May 19, 1966 as Instrument No. 593 in Book 6630, Page 800 of Official Records.
 In Favor of: The City of Montclair, a municipal corporation Affects: As described therein
- 57. The fact that the land lies within the boundaries of the Project V Redevelopment Project Area, as disclosed by the document recorded December 03, 2007 as Instrument No. <u>2007-0676982</u> of Official Records.

The Following Matters Affect Parcel M:

- 58. Water rights, claims or title to water, whether or not shown by the public records.
- 59. An easement for pipelines and incidental purposes, recorded February 28, 1893 in Book 177 of Deeds, Page 142.
 In Favor of: Del Monte Irrigation Company, a corporation Affects: As described therein
- 60. An easement for pipelines and incidental purposes, recorded April 13, 1910 in <u>Book 355 of Deeds</u>, <u>Page 332</u>.

In Favor of:	Pomona Land and Water Company
Affects:	As described therein

An easement for transmission lines and incidental purposes, recorded September 07, 1910 in <u>Book</u>
 <u>465 of Deeds, Page 162</u>.
 In Favor of: Southern California Edison Company, a corporation

In Favor of:	Southern California Edison Company, a corporation
Affects:	As described therein

62. An easement for pipelines and incidental purposes, recorded May 01, 1911 in <u>Book 480 of Deeds</u>, <u>Page 2</u>.

In Favor of:	Mont Antonio Water Company
Affects:	As described therein

- 63.An easement for ingress and egress along the protected access to the well site and incidental
purposes, recorded November 16, 1965 in Book 6513, Page 723 of Official Records.In Favor of:Monte Vista County Water District
Affects:Affects:A described therein
- 64.An easement for aerial, underground telephone, telegraph, communications, electric lines and
incidental purposes, recorded March 24, 1965 in Book 6356, Page 247 of Official Records.In Favor of:Southern California Edison Company, a corporation
As described therein

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- An easement for facilities, consisting of underground conduits, manhole, pedestals, cables, wires, appurtenances and incidental purposes, recorded July 25, 1980 as Instrument No. <u>80-166544</u> of Official Records.
 In Favor of: General Telephone Company of California, a corporation Affects: As described therein
- 66. The fact that the land lies within the boundaries of the City of Montclair Redevelopment Project Area No. III, as disclosed by the document recorded July 11, 1983 as Instrument No. <u>83-154242</u> and Instrument No. <u>83-154243</u> of Official Records.

Document(s) declaring modifications thereof recorded June 18, 1991 as Instrument No. $\underline{91-228108}$ and December 03, 2007 as Instrument No. $\underline{2007-0676980}$ of Official Records.

67. Easements, Covenants and Conditions contained in the deed from City of Montclair Redevelopment Agency, a public body, corporate and politic, of the State of California, as Grantor, to Wattson Montclair Ventures, a California general partnership, as Grantee, recorded April 03, 1987 as Instrument No. <u>87-110471</u> of Official Records. Reference being made to the document for full particulars.

A "Certificate of Completion for Construction and Development", recorded December 13, 1989 as Instrument No. 89-484743 of Official Records.

- 68. An easement for its facilities, consisting of underground conduits, manhole, pedestals, cables, wires, appurtenances and incidental purposes, recorded August 19, 1987 as Instrument No. <u>87-287353</u> of Official Records.
 In Favor of: General Telephone Company of California, a corporation Affects: As described therein
- 69.An easement for underground electrical supply systems and communications systems and incidental
purposes, recorded November 19, 1987 as Instrument No. 87-410717 of Official Records.
In Favor of:
Affects:Southern California Edison Company, a corporation
As described therein
- 70.An easement for underground electrical supply systems and communications systems and incidental
purposes, recorded February 02, 1988 as Instrument No. <u>88-032729</u> of Official Records.
In Favor of:
Affects:Southern California Edison Company, a corporation
As described therein
- An easement shown or dedicated on the map filed or recorded October 27, 1988 in <u>Book 132, Pages</u>
 <u>44 to 46</u> of Parcel Maps.
 For: Public utilities and incidental purposes.
- 72. The terms and provisions contained in the document entitled "Certificate of Parcel Merger No. 89-1" recorded August 11, 1989 as Instrument No. <u>89-292965</u> of Official Records.

73.An easement for underground electrical supply systems and communication systems and incidental
purposes, recorded July 22, 1992 as Instrument No. <u>92-303981</u> of Official Records.In Favor of:Southern California Edison Company, a corporation
Affects:Affects:As described therein

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- 74.An easement for stub poles, guy wires and anchors for anchorage and incidental purposes,
recorded February 08, 1993 as Instrument No. <u>93-066180</u> of Official Records.In Favor of:Southern California Edison Company, a corporation
Affects:Affects:A described therein
- 75. An easement for right of way to construct, use, maintain, operate, alter, add to, repair, replace, reconstruct, inspect and remove at any time and from time to time underground electrical supply systems and communication systems (hereinafter referred to as "systems"), consisting of wires, underground conduits, cables, vaults, manholes, handholes, and including above-ground enclosures, markers and concrete pads and other appurtenant fixtures and equipment necessary or useful for distributing electrical energy and for transmitting intelligence by electrical means and incidental purposes, recorded October 05, 2005 as Instrument No. 2005-0747204 of Official Records. In Favor of: Southern California Edison Company, a corporation, its successors and assigns

As described therein

- Affects:
- 76. Covenants, conditions, restrictions and easements in the document recorded October 31, 2006 as Instrument No. 2006-0743114 of Official Records, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.
- An easement for underground electrical supply systems and communication systems and incidental purposes, recorded January 09, 2013 as Instrument No. 2013-0011121 of Official Records. In Favor of: Southern California Edison Company, a corporation, its successors and assigns
 Affects: As described therein

The Following Matters Affect Parcel M:

The Following Matters Affect Parcel A of Parcel M:

- 78. This item has been intentionally deleted.
- 79. This item has been intentionally deleted.
- 80. This item has been intentionally deleted.

The Following Matters Affect Parcel B of Parcel M:

- 81. Water rights, claims or title to water, whether or not shown by the public records.
- 82. An easement for pipelines and incidental purposes in the document recorded July 12, 1957 in <u>Book</u> 4277, Page 194 of Official Records.
- 83. An easement for public utilities and incidental purposes in the document recorded December 20, 1973 in Book 8332, Page 525 of Official Records.

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The Following Matters Affect Parcels A and B of Parcel M:

84. The fact that the land lies within the boundaries of the Redevelopment Project No. V, as disclosed by the document recorded December 03, 2007 as Instrument No. <u>2007-0676982</u> of Official Records.

The Following Matters Affect Parcel N:

85. An easement for either or both pipe lines, conduits and incidental purposes, recorded November 11, 1912 in Book 518 of Deeds, Page 176.
In Favor of: Merchants Trust Company Affects: As described therein

The location of the easement cannot be determined from record information.

The Following Matters Affect Parcel O:

- 86. An easement for pipe lines and incidental purposes, recorded August 2, 1921 in Book 799 of Deeds, Page 59.
 In Favor of: S. B. Robertson, et al Affects: As described therein
- 87. Various agreements, conditions and reservations as to water and rights of way and easements contained in the deed from the Pomona Land and Water Company, a corporation, to H. K. Brandriff, dated April 24, 1895, recorded June 11, 1895, in Book 211 of Deeds, Page 396.
- 88. An easement for flood control and channel rectification purposes and incidental purposes, recorded June 11, 1985 in <u>Book 211 of Deeds, Page 396</u> of Official Records.
 In Favor of: United States of America
 Affects: As described therein
- 89. The effect of a document entitled "Certificate of Acceptance", recorded December 07, 2012 as Instrument No. 2012-0523576 of Official Records.

The Following Matters Affect Parcel P:

 90.
 An easement for pipe lines and incidental purposes, recorded January 16, 1928 in Book 324, Page

 23 of Official Records.
 In Favor of:

 Palomares Irrigation Company
 Affects:

 As described therein
 As described therein

91. The right of way of the Los Angeles County Flood Control District (185 feet wide) as disclosed by a map on filed in the County Surveyor's Office. Said Map has an Official designation as County Surveyors Map No. 1621.

Said right of way is not of record in San Bernardino County.

The Following Matters Affect Parcel Q:

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92. An easement for pipelines and incidental purposes in the document recorded November 11, 1912 in Book 518 of Deeds, Page 176.

Terms and provisions contained in the above document.

The Following Matters Affect Parcel R:

93. No recorded matters.

The Following Matters Affect All Parcels:

- 94. Any facts, rights, interests or claims which would be disclosed by a correct ALTA/NSPS survey.
- 95. Rights of parties in possession.

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INFORMATIONAL NOTES

ALERT - CA Senate Bill 2 imposes an additional fee of \$75 up to \$225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

- 1. The property covered by this report is vacant land.
- 2. According to the public records, there has been no conveyance of the land within a period of twentyfour months prior to the date of this report, except as follows:

None

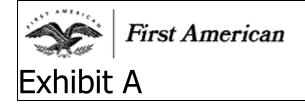
3. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

The map attached, if any, may or may not be a survey of the land depicted thereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of this Commitment or the Policy, if any, to which the map is attached.

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ISSUED BY First American Title Insurance Company

File No: NCS-1076006-LA2

File No.: NCS-1076006-LA2

The Land referred to herein below is situated in the City of Montclair, County of San Bernardino, State of California, and is described as follows:

PARCEL A:

LOT 6 OF TRACT NO. 15552, AS PER MAP ON FILE IN <u>BOOK 255, PAGE 13 AND 14</u>, OF TRACT MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

APN: 1012-381-30-0-000

PARCEL B:

PARCEL NO. 1:

THAT PORTION OF LOT 10 ACCORDING TO MAP OF SYCAMORE WATER DEVELOPMENT COMPANY'S ADDITION, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 24, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE CENTER LINE OF SAN JOSE AVENUE, SAID POINT BEING THE INTERSECTION OF THE CENTER LINE OF SAN JOSE AVENUE, AND THE NORTH AND SOUTH CENTER LINE OF LOT 10; THENCE NORTH ALONG SAID NORTH AND SOUTH CENTER LINE OF SAID LOT 10. 485.46 FEET; THENCE WEST ALONG A LINE PARALLEL WITH THE CENTER LINE OF SAN JOSE AVENUE, 83 FEET TO A POINT; THENCE SOUTH ALONG A LINE PARALLEL WITH THE NORTH AND SOUTH CENTER LINE OF SAID LOT 10 TO THE CENTER LINE OF SAN JOSE AVENUE; THENCE EAST ALONG THE CENTER LINE OF SAID SAN JOSE AVENUE, 83 FEET TO POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION LYING SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT THE SOUTHEAST CORNER OF PROPERTY AS CONVEYED TO THE CITY OF MONTCLAIR BY DEED RECORDED DECEMBER 20, 1962, IN <u>BOOK 5821, PAGE 745</u>, OFFICIAL RECORDS OF SAID COUNTY, SAID POINT ALSO BEING THE NORTHEAST CORNER OF PROPERTY AS CONVEYED TO RICHARD CHIDLAW, ET UX, BY DEED RECORDED APRIL 26, 1946, IN <u>BOOK 1875, PAGE 433</u>, OFFICIAL RECORDS OF SAID COUNTY; THENCE EAST TO THE EAST LINE OF SAID PARCEL 1 ABOVE.

PARCEL NO. 2:

THAT PORTION OF LOT 10 OF THE SYCAMORE WATER DEVELOPMENT COMPANY'S ADDITION, AS SHOWN BY MAP ON FILE IN BOOK 11 OF MAPS, PAGE 24, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID LOT 10; THENCE ALONG THE NORTH LINE OF SAID LOT 10, BEING ALSO THE NORTH LINE OF THAT CERTAIN PARCEL OF LAND AS CONVEYED TO THE STATE OF CALIFORNIA BY DEED RECORDED JANUARY 12, 1951, IN <u>BOOK 2701, PAGE 418</u> OF OFFICIAL RECORDS OF SAID COUNTY, SOUTH 89° 39' 42" WEST 328.87 FEET TO THE NORTHWEST CORNER OF SAID STATE OF CALIFORNIA PARCEL OF LAND; THENCE ALONG THE WEST LINE OF SAID STATE OF CALIFORNIA PARCEL OF LAND SOUTH 0° 26' 48" EAST 143.72 FEET TO THE SOUTHWEST CORNER THEREOF AND THE TRUE POINT OF BEGINNING; THENCE CONTINUING SOUTH 0° 26' 48" EAST 33.84 FEET ALONG THE EAST LINE OF THAT CERTAIN PARCEL OF LAND AS CONVEYED TO THE STATE OF CALIFORNIA BY DEED RECORDED JUNE 24, 1952, IN <u>BOOK 2973, PAGE 162</u>, OFFICIAL RECORDS OF SAID COUNTY, TO THE

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SOUTHEAST CORNER THEREOF; THENCE ALONG THE SOUTH LINE OF LAST SAID STATE OF CALIFORNIA PARCEL OF LAND SOUTH 89° 39' 42" WEST 97.26 FEET TO THE MOST EASTERLY CORNER OF THAT CERTAIN PARCEL OF LAND AS CONVEYED TO THE STATE OF CALIFORNIA BY DEED RECORDED JANUARY 03, 1951, IN <u>BOOK 2696, PAGE 61</u>, OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG A NON-TANGENT CURVE CONCAVE SOUTHEASTERLY' WITH A RADIUS OF 3,408 FEET, FROM A TANGENT BEARING NORTH 69° 36' 04" EAST, THROUGH AN ANGLE OF 1° 43' 49", A DISTANCE OF 102.92 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM PARCELS 1 AND 2 ABOVE THAT PORTION CONVEYED TO THE STATE OF CALIFORNIA IN GRANT DEED RECORDED AUGUST 15, 1968 IN <u>BOOK 7077, PAGE 435</u> OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY IN GRANT DEED RECORDED FEBRUARY 20, 2020 AS INSTRUMENT NO. <u>2020-0061103</u>, OF OFFICIAL RECORDS.

PARCEL C:

THAT PORTION OF LOTS 9 AND 10, SYCAMORE. WATER DEVELOPMENT COMPANY'S ADDITION TO ONTARIO, IN THE COUNTY OF SAN BERNARDINO, AS PER PLAT RECORDED IN <u>BOOK 11 OF MAPS, PAGE 24</u>, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THAT CERTAIN 20 FOOT ALLEY AS SHOWN ON THE RECORDED MAP OF TRACT NO. 3259, AS PAR PLAT RECORDED IN BOOK 44, PAGES 21 AND 22, RECORDS OF SAID COUNTY; THENCE NORTH 0° 21' 18" WEST 135.23 FEET MORE OR LESS TO A POINT ON THE NORTHERLY LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO CARLO NEPOTE LUVOT AND FLORENCE NEPOTE LUVOT, HUSBAND AND WIFE, BY DEED RECORDED APRIL 12, 1957 IN BOOK 4204, PAGE 520, OFFICIAL RECORDS; THENCE NORTHEASTERLY ALONG THE NORTHERLY LINE OF SAID LUVOT'S PROPERTY AND THE SOUTHERLY LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO THE STATE OF CALIFORNIA BY DEED RECORDED JANUARY 03, 1951 IN BOOK 2696, PAGE 61, OFFICIAL RECORDS, TO A POINT OF INTERSECTION WITH THE NORTH LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO G. H. BROYLES BY DEED RECORDED FEBRUARY 26, 1941 IN BOOK 1469, PAGE 109 OFFICIAL RECORDS; THENCE EAST ALONG THE NORTH LINE OF SAID BROYLE'S PROPERTY TO THE NORTHWEST CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO RITA GILDART, A SINGLE WOMAN, BY DEED RECORDED NOVEMBER 19, 1951, IN BOOK 2854, PAGE 96, OFFICIAL RECORDS; THENCE SOUTH 302.46 FEET MORE OR LESS ALONG THE WEST LINE OF SAID GILDART'S PROPERTY TO A POINT ON THE NORTH LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO RICHARD CHIDLAW, ETUX, BY DEED RECORDED APRIL 26, 1946 IN BOOK 1875, PAGE 433, OFFICIAL RECORDS; THENCE WEST ALONG THE NORTH LINE OF SAID CHIDLAW'S PROPERTY TO THE NORTHWEST CORNER OF THAT CERTAIN PARCEL OF LAND SURVEYED TO RICHARD CHIDLAW AND MILDRED CHIDLAW, HUSBAND AND WIFE, BY DEED RECORDED JULY 1, 1952, IN BOOK 2977, PAGE 141, OFFICIAL RECORDS; THENCE SOUTH ALONG THE WEST LINE OF THE LAST MENTIONED CHIDLAW'S PROPERTY TO THE NORTHEAST CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO DALE W. LINDQUIST AND VICTORIA S. LINDQUIST, HUSBAND AND WIFE, BY DEED RECORDED MAY 12, 1950 IN BOOK 2573, PAGE 269, OFFICIAL RECORDS; THENCE WEST ALONG THE NORTH LINE OF SAID LINDQUIST'S PROPERTY SAID THE NORTH LINE OF SAID TRACT NO. 3259, TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY IN GRANT DEED RECORDED FEBRUARY 20, 2020 AS INSTRUMENT NO. <u>2020-0061103</u>, OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM THAT PORTION AS DESCRIBED IN THAT CERTAIN "THIRD AMENDMENT TO COMMUNICATIONS SITE GROUND LEASE AGREEMENT" RECORDED JULY 23, 2020 AS INSTRUMENT NO. 2020-0252274, OF OFFICIAL RECORDS.

APN: 1008-311-17-0-000

PARCEL D:

THE EAST 90 FEET OF THE NORTH 64.5 FEET OF THE EAST ONE-HALF OF LOT 22, CLAREMONT ORANGE TRACT, IN

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THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN <u>BOOK 17</u> <u>OF MAPS, PAGE 87</u>, IN THE OFFICE OF THE COUNTY REORDER OF SAID COUNTY; TOGETHER WITH A STRIP OF LAND OF THE UNIFORM WIDTH OF 5 FEET ADJOINING SAID PROPERTY ON THE EAST, BEING FORMERLY A PART OF MONTE VISTA AVENUE.

APN: 1009-061-06-0-000

PARCEL E:

THE NORTH 64 FEET OF THE SOUTH 128 FEET OF THE EAST 90 FEET OF THE NORTH 192.5 FEET OF THE EAST HALF OF LOT 22, CLAREMONT ORANGE TRACT, IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN <u>BOOK 17 OF MAPS, PAGE 87</u>, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

TOGETHER WITH A STRIP OF LAND OF THE UNIFORM WIDTH OF 5 FEET ADJOINING SAID PROPERTY ON THE EAST AND BEING FORMERLY A PART OF MONTE VISTA AVENUE.

APN: 1009-061-07-0-000

PARCEL F:

THE SOUTH 64.00 FEET OF THE EAST 90.00 FEET OF THE NORTH 192.50 FEET OF LOT 22, CLAREMONT ORANGE TRACT, IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 17, PAGE 87 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, TOGETHER WITH THAT PORTION OF THE WEST 5.00 FEET OF MONTE VISTA AVENUE, (70.00 FEET WIDE) ADJOINING SAID LAND ON THE EAST, AS ABANDONED BY RESOLUTION OF THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, DATED APRIL 06, 1917 AND FILED IN BOOK "Z" PAGE 352 OF THE MINUTES OF THE BOARD OF SUPERVISORS, WHICH WOULD NORMALLY PASS BY OPERATION OF LAW WITH A LEGAL CONVEYANCE OF SAID LAND.

APN: 1009-061-08-0-000

PARCEL G:

LOT A OF TRACT NO. 8188, AS PER MAP ON FILE IN <u>BOOK 111, PAGES 3-4</u>, OF TRACT MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

APN: 1009-043-01-0-000

PARCEL H:

PARCEL 1 OF LOT LAND ADJUSTMENT NO. 1, RECORDED DECEMBER 12, 2012 AS INSTRUMENT NO. 2012-0542722, OF OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 20 OF CLAREMONT ORANGE TRACT IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, RECORDED IN <u>BOOK 17 OF MAPS, PAGE 87</u> RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE NORTH LINE OF SAID LOT 20, A DISTANCE OF 528.00 FEET EAST OF THE NORTHWEST CORNER OF SAID LOT 20 SAID NORTH LINE ALSO BEING THE CENTERLINE OF MORENO AVENUE PER SAID CLAREMONT ORANGE TRACT, SAID POINT ALSO BEING A NORTHWESTERLY CORNER OF THE LAND DESCRIBED IN DEED TO IRA J. CREE BY DEED RECORDED FEBRUARY 20, 1924 IN BOOK 831, PAGE 245 OF DEEDS RECORDS OF SAID COUNTY;

THENCE SOUTH 00° 01' 55" WEST, 160.54 FEET ALONG A WESTERLY LINE OF SAID LAND DESCRIBED IN DEED TO IRA J. CREE, TO A POINT ON A LINE THAT IS PARALLEL WITH AND 160.50 FEET SOUTHERLY OF THE CENTERLINE OF SAID

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MORENO AVENUE, ALSO BEING THE POINT OF BEGINNING;

THENCE SOUTH 00° 01' 55" WEST, 247.47 FEET CONTINUING ALONG SAID WESTERLY LINE;

THENCE NORTH 88° 31' 16" WEST, 76.76 FEET;

THENCE SOUTH 01° 01' 12" WEST, 42.00 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 220.00 FEET NORTH OF THE SOUTH LINE OF SAID LOT 20;

THENCE NORTH 88° 38' 24" WEST, 120.52 FEET ALONG SAID PARALLEL LINE TO THE MOST NORTHWESTERLY CORNER OF SAID LAND DESCRIBED IN DEED TO IRA J. CREE;

THENCE NORTH 00° 01' 55" EAST, 289.30 FEET PARALLEL WITH THE EASTERLY LINE OF SAID LOT 20 TO A POINT ON A LINE THAT IS PARALLEL WITH AND 160.50 FEET SOUTHERLY OF THE CENTERLINE OF SAID MORENO AVENUE;

THENCE SOUTH 88° 38' 47" EAST, 198.00, FEET ALONG SAID PARALLEL LINE TO THE POINT OF BEGINNING.

APN: 1009-081-64-0-000

PARCEL I:

PARCEL 1 OF PARCEL MAP NO. 10475, RECORDED 27, 1987, IN <u>BOOK 114, PAGES 39 AND 40</u>, OF PARCEL MAPS, SAN BERNARDINO COUNTY, STATE OF CALIFORNIA.

APN: 1010-591-17-0-000

PARCEL J:

ALL OF THE NORTHWEST QUARTER OF BLOCK 21 OF SAN ANTONIO TRACT AS PER MAP RECORDED IN <u>BOOK 3, PAGE</u> 16 OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THE WEST 6 ACRES THEREOF.

ALSO EXCEPTING THE LAND CONVEYED TO ONTARIO ELEMENTARY SCHOOL DISTRICT OF SAN BERNARDINO COUNTY IN DEED RECORDED IN BOOK 4388, PAGE 392 OF OFFICIAL RECORDS IN SAID OFFICE OF THE COUNTY RECORDER.

APN: 1009-391-06-0-000 AND 1009-391-03-0-000

PARCEL K:

THAT PORTION OF THE VEST 198.15 FEET OF THE SOUTHWEST ONE-QUARTER OF LOT 21 OF THE SAN ANTONIO TRACT AS PER MAP RECORDED IN <u>BOOK 3 OF MAPS, PAGE 16</u>, RECORDS OF SAID COUNTY, LYING SOUTHEASTERLY OF THE SOUTHEASTERLY LINE OF THAT EASEMENT CONVEYED TO THE UNITED STATES OF AMERICA BY DOCUMENT RECORDED JANUARY 14, 1958 IN <u>BOOK 4412, PAGE 265</u>, OFFICIAL RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THE SOUTH 277.00 FEET THEREOF.

APN: 1009-391-19-0-000

PARCEL L:

PARCEL 1:

THE EAST 15 FEET OF THE SOUTH 273 FEET OF LOT 22, TOGETHER WITH THE WEST 128.16 FEET OF THE SOUTH 273 FEET OF LOT 21, SAN ANTONIO TRACT, IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF

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CALIFORNIA, AS PER MAP RECORDED IN <u>BOOK 3, PAGE 16</u> OF MAPS AND PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT NO. 80-1, RECORDED ON MAY 21, 1981 AS INSTRUMENT NO. <u>81-112445</u>, BOTH OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY.

NOTE: THE SAID SOUTH 273 FEET BEING MEASURED FROM THE CENTER OF KINGSLEY STREET.

EXCEPTING THEREFROM THE SOUTH 30 FEET OF THE WEST 60 FEET OF THE WEST 198.15 FEET OF THE SOUTH WEST QUARTER OF LOT 21, SAN ANTONIO TRACT, IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGE 16 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 1009-391-21-0-000

PARCEL 2:

THE EAST 70 FEET OF THE WEST 198.15 FEET OF THE SOUTH 273 FEET OF LOT 21, SAN ANTONIO TRACT, IN THE CITY OF MONTCLAIR, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN <u>BOOK 3,</u> <u>PAGE 16</u> OF MAPS AND PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT NO. 80-1, RECORDED ON MAY 21, 1981 AS INSTRUMENT NO. 81-112445, BOTH OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY.

NOTE: THE SAID SOUTH 273 FEET BEING MEASURED FROM THE CENTER OF KINGSLEY STREET.

APN: 1009-391-22-0-000

PARCEL L:

LOT A OF TRACT NO. 18213, AS PER MAP ON FILE IN <u>BOOK 335, PAGES 96-99</u> OF TRACT MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

APN: 1008-161-35-0-000

PARCEL M:

PARCEL A:

INTENTIONALLY DELETED

PARCEL B:

PARCEL 1 OF PARCEL MAP NO. 1590, AS PER PLAT RECORDED IN <u>BOOK 15, PAGE 28</u>, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

APN: 1012-051-04-0-000

PARCEL N:

THE NORTH ONE-HALF OF LOT 6, BLOCK 25, MONTE VISTA TRACT NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN <u>BOOK 16 OF MAPS, PAGE 33</u>, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 1011-611-03-0-000

PARCEL O:

THE WEST 6 ACRES OF THE NORTHWEST 1/4 OF LOT 21, SAN ANTONIO TRACT, IN THE CITY OF MONTCLAIR, AS

This page is only a part of a 2016 ALTA® Commitment for Title Insurance issued by First American Title Insurance Company. This Commitment is not valid without the Notice; the Commitment to Issue Policy; the Commitment Conditions; Schedule A; Schedule B, Part I-Requirements; Schedule B, Part II-Exceptions.

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RECORDED IN BOOK 3 OF MAPS, PAGE 16, RECORDS OF THE COUNTY OF SAN BERNARDINO.

EXCEPTING THEREFROM THE WESTERLY 260 FEET THEREOF, MEASURED AT RIGHT ANGLES FROM THE WESTERLY LINE OF SAID LOT 21.

ALSO EXCEPTING THAT PORTION IN PUBLIC STREETS AND HIGHWAYS.

ALSO EXCEPTING THEREFROM THAT PORTION LYING WEST OF UNITED STATES OF AMERICA FLOOD CONTROL CHANNEL.

APN: 1009-391-29-0-000

PARCEL P:

THAT PORTION OF LOT 22 OF THE SAN ANTONIO TRACT AS PER MAP RECORDED IN <u>BOOK 3 OF MAPS, PAGE 16</u>, RECORDS OF SAID COUNTY, LYING SOUTHEASTERLY OF THE SOUTHEASTERLY LINE OF THAT EASEMENT CONVEYED TO THE UNITED STATES OF AMERICA BY DOCUMENT RECORDED APRIL 25, 1958, IN <u>BOOK 4492, PAGE 222</u>, OFFICIAL RECORDS OF SAID COUNTY.

APN: 1009-383-18-0-000

PARCEL Q:

THE SOUTH 1/2 OF LOT 6, BLOCK 25, MONTE VISTA TRACT NO. 2, AS PER PLAT THEREOF RECORDED IN BOOK 16 OF MAPS, PAGE 33, RECORDS OF SAID COUNTY.

APN: 1011-611-04-0-000

PARCEL R:

ALL THAT PORTION OF THE EAST 130 FEET OF THE WEST 260 FEET OF THE NORTHWEST ONE-QUARTER OF LOT 21 OF THE SAN ANTONIO TRACT AS PER MAP RECORDED IN <u>BOOK 3 OF MAPS, PAGE 16</u>, RECORDS OF SAID COUNTY, LYING SOUTHEASTERLY OF THE SOUTHEASTERLY LINE OF THAT EASEMENT CONVEYED TO THE UNITED STATES OF AMERICA BY DOCUMENT RECORDED JANUARY 24, 1958, IN <u>BOOK 4421, PAGE 132</u>, OFFICIAL RECORDS OF SAID COUNTY.

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		California

APPRAISAL QUALIFICATIONS



APPRAISAL EXPERIENCE

President and Managing Partner of Thompson & Thompson, established 2020. Entered the appraisal field in 1989, and was with the appraisal firm of Mason and Mason from 1991 thru 2019, Partner 2006 thru 2019. Functions include research, consulting, appraisal report preparation, and expert testimony fora variety of property types, including industrial, commercial, retail, office, vacant acreage, and single and multi-family residential properties. Property valuations for eminent domain both full and partial acquisitions, inverse condemnation, property tax appeals, possessory interests, corridor valuation, asset management, and loan underwriting.

AFFILIATIONS & ACTIVITIES

MAI Designated Member, The Appraisal Institute, Designation No. 11063 AI-GRS (General Review Specialist) Designated Member, The Appraisal Institute SR/WA Designated Member, International Right of Way Association, Designation No. 5336 Certified General Real Estate Appraiser, State of California, Certificate No. AG002282 (Exp. 2/1/2023) Certified General Real Estate Appraiser, State of Nevada, Certificate No. A.0208134-CG (Exp. 4/30/2022) Certified General Real Estate Appraiser, State of Arizona, Certificate No. CGA-32273 (Exp. 4/30/2022) Licensed Real Estate Broker, State of California, Certificate No. 01070707 (Exp. 4/1/2022) Planning Commission, City of Arcadia (2015 to 2023) Past President, Southern California Chapter of the Appraisal Institute (2017) Member, AIR Commercial and Industrial Real Estate Association Member, Pasadena-Foothills Association of Realtors

EDUCATIONAL BACKGROUND

<u>California State Polytechnic University, Pomona</u>, Graduated September, 1999, with a Masters Degree in Business Administration (MBA) with an emphasis in Urban and Regional Planning, and Finance, Real Estate and Law. Admitted to the Honor Society of Beta Gamma Sigma. Masters Project - Just Compensation, The Physical Partial Acquisition of Real Property through Eminent Domain. Classes included:

- Real Estate Market Analysis
- Real Estate Investment Analysis
- Management Science Quantitative Decision Making
- Policy Analysis, Implementation and Evaluation
- Urban and Regional Planning Legal Foundations
- Urban and Regional Planning Urban Analysis Fundamentals
- Urban and Regional Planning Theory and Practice
- Urban and Regional Planning Graphics and Design
- Managerial Accounting for Decision Making
- Business Research Methods
- Management Policies and Strategies Practicum
- Advanced Financial Management

<u>University of Southern California:</u> Graduated May, 1989, with a Bachelor of Science Degree in Business Administration (BS), with an emphasis in Real Estate. Classes in all major aspects of real estate valuation, development, finance, law, construction, engineering, planning and property management. Specialized classes included:

- Real Estate Valuation
- Introduction to Urban Real Estate
- Real Estate Law
- Introduction to Urban & Regional Planning
- Management Science
- Management Accounting & Cost Analysis

- Real Estate Finance & Investments
- Construction Methods & Equipment
- Business Finance
- Contracts & Specifications
- Economic Analysis for Business

Expert Witness: Real Estate Valuation in the Superior Court of The State of California, San Bernardino, Riverside and Los Angeles Counties, Public Utilities Commission of the State of California and the Los Angeles County Assessment Appeals Board. Court-Appointed Appraiser - Judge Maureen Duffy-Lewis, Los Angeles Superior Court, and Judge Brian S. McCarville, San Bernardino Superior Court.

Guest Lecturer: Real Estate Valuation (USC, Master of Real Estate Development Program), Valuation Conferences (IRWA), Master of Architecture and the Development Process (Cal Poly Pomona) and Eminent Domain Conference (CLE International).

Committee Service: <u>Appraisal Institute</u>- Litigation Seminar Chair(2008,2016& 2017), Associate Guidance Chair (2009 to 2013), Region VII Representative (2011 to 2014, 2016, 2017), SCCAI Executive Board (2014 to 2018). Leadership Development and Advisory Council (2015). California Government Relations Committee (2016& 2017). National and Chapter Nominating Committees (2018). Chair Mason-Thornton Scholarship Fund (2021). <u>IRWA</u> - Spring Valuation Seminar Chair (2013 to 2016).

SPECIALIZED APPRAISAL COURSES & SEMINARS

Underground Infrastructure Panorama, IRWA, 2020 United States Land Titles, IRWA, 2020 Comparative Analysis, Appraisal Institute, 2016 Planning Academy, League of California Cities, 2016 Spring Valuation Seminar, IRWA, 2012, 2013, 2014, 2015, 2016 Property/Asset Management, IRWA, 2015 Review Theory - General, Appraisal Institute, 2014 Green Building for Appraisers, 2013 Federal and State Laws and Regulations, 2013, 2016, 2020 Environmental Awareness, IRWA, 2010 Legal Aspects of Easements, IRWA, 2010 Corridor Valuation, Appraisal Institute, 2010 Yellow Book/Easements & Divided Interests, Appraisal Institute, 2010 Easement Valuation, IRWA, 2009 Appraisal Curriculum Overview-General, Appraisal Institute, 2009 Apartment Appraisal, Concepts & Applications, Appraisal Institute, 2009 Real Estate Finance, Statistics, and Valuation Modeling, Appraisal Institute, 2008 Business Practices and Ethics, Appraisal Institute, 2006, 2011, 2016 Project Development and the Environmental Process, IRWA, 2005 Bargaining Negotiations, IRWA, 2005 Principles of Real Estate Engineering, IRWA, 2004 Senior Right of Way (SR/WA) Review Course & Discipline Exams, IRWA, 2004 Pipeline Right of Way Agent Development Program, IRWA, 2004 Principles of Real Estate Negotiation, IRWA, 2004 Standards of Practice / Ethics and the ROW Profession, IRWA, 2004, 2015, 2020 USPAP, 1990, 1995, 2000, 2004, 2006, 2010, 2013, 2014, 2016, 2018, 2020 Advanced Applications, Appraisal Institute, 1995 Report Writing and Valuation Analysis, Appraisal Institute, 1994 The Appraisal of Partial Acquisitions, IRWA, 1994 Advanced Income Capitalization, Appraisal Institute, 1993 Basic Income Capitalization, Appraisal Institute, 1993 Property Descriptions, IRWA, 1993 Real Estate Appraisal Principles, Appraisal Institute, 1992 Basic Valuation Procedures, Appraisal Institute, 1992 Litigation Seminar, Appraisal Institute, 1992, 1993, 1997, 1998, 2001, 2004, 2007, 2008, 2011, 2016, 2017, 2018, 2020 Master Planned Communities: from Concept to Reality, Appraisal Institute, 1999 The Economics of Right-of-Way Appraisal, Appraisal Institute, 1999 Operating Expense Seminar, Appraisal Institute, 1997

I certify that to the best of my knowledge, the above statements are true and correct.

Respectfully submitted,

Gradford Tho

Bradford Thompson, MAI, AI-GRS, SR/WA State of California Certificate No. AG002282



APPRAISAL EXPERIENCE

Vice President and Partner of Thompson & Thompson, established 2020. Entered the appraisal field in July 2006, and was with the appraisal firm of Mason and Mason from 2006 thru 2019, Senior Appraiser since 2013. During this time has performed a variety of functions including market research, property inspection, and appraisal report preparation, for a variety of property types, including industrial, commercial, retail, office, vacant acreage, and single and multi-family residential properties. Property valuations for eminent domain both full and partial acquisitions.

AFFILIATIONS

MAI Designated Member, The Appraisal Institute, Designation No. 13754 SR/WA Designated Member, International Right of Way Association, Designation No. 6864 Certified General Real Estate Appraiser, State of California, Certificate No. AG044322 Certified General Real Estate Appraiser, State of Nevada, Certificate No. A.0208150-CG Chair-Eastern Branch Southern California Chapter Appraisal Institute (2021)

EDUCATIONAL BACKGROUND

<u>Arizona State University:</u> Graduated July, 1994, with a Bachelor of Science Degree in Business Administration. Classes in all major aspects of business management, finance, and economics.

SPECIALIZED APPRAISAL COURSES & SEMINARS

Business Practices and Ethics, The Appraisal Institute Basic Appraisal Principles, The Appraisal Institute Basic Appraisal Procedures, The Appraisal Institute 15-Hour National USPAP Course, The Appraisal Institute Real Estate Finance, Statistics, and Valuation Modeling, The Appraisal Institute Eminent Domain Law for the Right of Way Professional, IRWA Standards of Practice for the Right of Way Professional, IRWA General Market Analysis and Highest and Best Use, The Appraisal Institute The Appraisal of Partial Acquisitions, IRWA Sales Comparison Valuation of Small, Mixed-Use Properties, The Appraisal Institute Easement Valuation, IRWA Principles of Real Estate Law, IRWA Litigation Seminar, Appraisal Institute General Appraiser Income Approach (Part 1), The Appraisal Institute General Appraiser Income Approach (Part 2), The Appraisal Institute General Appraiser Sales Comparison Approach, The Appraisal Institute General Appraiser Site Valuation and Cost Approach, The Appraisal Institute General Appraiser Report Writing & Case Studies, The Appraisal Institute Principles of Real Estate Appraisal, IRWA Advanced Sales Comparison and Cost Approaches, The Appraisal Institute Ethics and the Right of Way Profession, IRWA Report Writing and Valuation Analysis, The Appraisal Institute Advanced Income Capitalization, The Appraisal Institute Advanced Applications, The Appraisal Institute 7-Hour National USPAP Course Principles of Real Estate Engineering, IRWA Principles of Land Acquisition, IRWA

SPECIALIZED APPRAISAL COURSES & SEMINARS (CONTINUED)

Introduction to Property/Asset Management, IRWA The Environmental Process, IRWA When Public Agencies Collide, IRWA Engineering Plan Development and Application, IRWA Legal Aspects of Easements, IRWA

I certify that to the best of my knowledge, the above statements are true and correct.

Respectfully submitted,

Ścott J. Thompson, MAI, SR/WA State of California Certificate No. AG044322