

SUBJECT: REFINANCING OF 2005 CERTIFICATES OF PARTICIPATION (COP)

SOURCE: Administration

COMMENT: In June 1998, the City issued \$20 million in Certificates of Participation (COP) for the purposes of financing the widening of bridges and streets. In November 2005, the City refunded the 1998 COP issue to achieve debt service savings, with the preclusion that the new COP issue could not be refunded "tax exempt" any sooner than July 1, 2015. However, the 2005 COP could be refunded with a taxable bond issue.

As has been previously reported to the City Council, staff has been meeting with Mr. John Fitzgerald and Mr. Ben Levine over the past several months, who have assisted the City with past bond issuances and refinances, including last year's refinancing of the 1997 Sewer Bond issue to fund the annexation sewer extension projects. The purpose of these recent meetings have been to evaluate the potential to take advantage of the current favorable financing environment to achieve debt service savings on the 2005 COP issue.

At its meeting on September 18, 2012, the City Council approved proceeding with a recommended financing approach to issue a taxable revenue bond, utilizing a Variable Rate Demand Obligation (VRDO) bond structure. One of the requirements of the VRDO refinance was to secure a bank Letter of Credit (LOC). During the course of meeting with banking institutions to secure the LOC, several banks declined to provide a LOC either because they have been (or potentially will be) "burned" in recent municipal bankruptcies (San Bernardino, Stockton, and Vallejo) or the refinance amount was either too small or beyond their capacity. However, Rabobank indicated significant interest to work with the City, but rather in a direct lending relationship instead of a VRDO financing structure.

Rabobank is one of the highest rated banks internationally, and given their business model emphasis on agriculture, is interested in increasing its presence in the Central Valley, including the South Tulare County/Porterville area. Rabobank completed its preliminary due diligence of the City's finances, and satisfied with its review, offered a Term Sheet for the City's consideration. At its meeting on March 5, 2013, the City Council, serving as the Board of Directors of the Porterville Public Improvement Corporation, approved the Term Sheet as presented. With

Dir. 

Appropriated/Funded 

C/M 

Item No. PFA/PICO1

the City's approval, Rabobank proceeded to its Loan Committee, which formally approved the transaction. In its approval, the Loan Committee did make two modifications to the previous Term Sheet, which included: 1) setting of a rate "floor" of 3.3% should the City carry the transaction through the final 17-year term, equivalent to the fixed-rate in the first 3-year term of the loan; and 2) adjusting the fourth year of the loan to require only a partial principal payment in addition to interest.

Given the final Term Sheet approved by Rabobank, the City would defease the 2005 COP issue with a total loan amount not to exceed \$25 million (estimated at \$21.06 million), and in turn make interest-only payments for three years based upon a fixed 3.3% interest rate, followed by a 17-year term at United States Dollar (USD) 1-month Libor +2.125% with a "floor" of 3.3%. As of March 28, 2013, USD Libor is 0.20370%, and over the past two years has not exceeded 0.3%. If funding were to occur by July 1, 2013, the City is projected to save \$1,468,680 in debt service payments through July 1, 2015, when the City could again evaluate a tax-exempt bond issuance, or save an additional \$590,045 in evaluating the issuance by July 1, 2016. The City could save an additional \$591,390 in evaluating the issuance by July 1, 2017, and \$356,440 (including partial principal payment) by July 1, 2018 (Page 1 of Project summary).

At its meeting on March 5th, a Member of the Board of Directors inquired as to what the net savings to the City would be if comparing only the difference in interest rates between the existing COP bond debt and the proposed direct loan, which at the meeting was estimated to be approximately \$150,000 annually. A calculation has been provided that indicates the proposed exact savings being between \$171,634 (7/1/2014) and \$116,390 (7/1/2016) over the fixed-rate three year term (Page 2 of Project summary).

With the Federal Reserve indicating that the federal funds rate will be held near zero through at least mid-year 2015 (currently 0.25%) and likely perhaps through the end of the decade, the City should be in a prime position with the option to switch from the direct loan to either a variable or fixed rate tax exempt bond issue, thus affording the City with the most flexibility over the next several years.

To formally approve and proceed with the refinancing of the 2005 Certificates of Participation in a direct lending structure with Rabobank, draft resolutions and agreements have been prepared for consideration by the City Council, also serving as the Board of Directors for the Porterville Public Improvement Corporation and Porterville Public Financing Authority.

RECOMMENDATION: That the City Council, also sitting as the Board of Directors for the Porterville Public Improvement Corporation and Porterville Public Financing Authority, consider and approve the refunding of the 2005 COP through a direct lending structure with Rabobank, and authorize the Mayor and City Manager to sign all draft resolutions, agreements, and documents as may be required.

- ATTACHMENT:**
1. Restructuring of the 2005 Infrastructure Financing Project
 2. Rabobank Term Sheet
 3. City Council Draft Resolution
 4. Porterville Public Improvement Corporation Draft Resolution
 5. Porterville Public Financing Authority Draft Resolution
 6. Lease and Right of Entry Agreement
 7. Lease Agreement
 8. Letter Agreement for Purchase
 9. Escrow Deposit and Trust Agreement
 10. Termination Agreement

CITY OF PORTERVILLE

Restructuring of the 2005 Infrastructure Financing Project



John Fitzgerald

Ben Levine

April 2, 2013

Wulff, Hansen & Co., San Francisco, California

CITY OF PORTERVILLE
(Tulare County, California)
RESTRUCTURING OF 2005 INFRASTRUCTURE FINANCING PROJECT

PROJECTED TOTAL DEBT SERVICE & SAVINGS ANALYSIS

Estimated Par Amount of Loan Financed

\$21,060,000

Projected Settlement Date

April 11, 2013

Date	Outstanding Debt Service ⁽¹⁾	PROJECTED TOTAL DEBT SERVICE & SAVINGS ⁽³⁾					PV of Debt Service Savings
		Principal Redemption	Interest Payment@ 3.30%	Total Debt Service	Projected Debt Service Savings	Cumulative Savings	
7/1/2013	\$857,047	\$0	\$0	\$0	\$857,047	\$857,047	\$850,848
7/1/2014	1,287,625	0	675,991	675,991	611,634	1,468,680	583,778
7/1/2015	1,285,025	0	694,980	694,980	590,045	2,058,725	544,346
7/1/2016	1,286,370	0	694,980	694,980	591,390	2,650,115	527,860
7/1/2017	1,286,420	235,000	694,980	929,980	356,440	\$3,006,555	304,424
7/1/2018	1,285,135	685,000	681,615	1,366,615	(81,480)	2,925,075	(82,358)
7/1/2019	1,287,475	770,000	658,350	1,428,350	(140,875)	2,784,200	(129,113)
7/1/2020	1,288,175	835,000	632,363	1,467,363	(179,188)	2,605,013	(155,921)
7/1/2021	1,287,750	915,000	604,148	1,519,148	(231,398)	2,373,615	(191,584)
7/1/2022	1,288,250	995,000	573,293	1,568,293	(280,043)	2,093,573	(222,172)
7/1/2023	1,287,250	1,080,000	539,798	1,619,798	(332,548)	1,761,025	(253,362)
7/1/2024	1,289,750	1,165,000	503,415	1,668,415	(378,665)	1,382,360	(277,934)
7/1/2025	1,285,500	1,250,000	464,310	1,714,310	(428,810)	953,550	(303,240)
7/1/2026	1,289,750	1,345,000	422,318	1,767,318	(477,568)	475,983	(325,845)
7/1/2027	1,287,000	1,490,000	376,695	1,866,695	(579,695)	(103,712)	(380,735)
7/1/2028	1,287,500	1,560,000	326,948	1,886,948	(599,448)	(703,160)	(380,894)
7/1/2029	1,286,000	1,635,000	274,890	1,909,890	(623,890)	(1,327,050)	(383,372)
7/1/2030	1,287,500	1,685,000	220,523	1,905,523	(618,023)	(1,945,072)	(367,859)
7/1/2031	1,286,750	1,745,000	164,423	1,909,423	(622,673)	(2,567,745)	(358,826)
7/1/2032	1,288,750	1,805,000	106,343	1,911,343	(622,593)	(3,190,337)	(347,474)
7/1/2033	1,288,250	1,865,000	46,283	1,911,283	(623,033)	(3,813,370)	(336,695)
7/1/2034	1,285,250	0	0	0	1,285,250	(2,528,120)	642,416
7/1/2035	1,289,750	0	0	0	1,289,750	(1,238,370)	623,698
7/1/2036	1,286,250	0	0	0	1,286,250	47,880	601,715
	\$30,464,522	\$21,060,000	\$9,356,641	\$30,416,641	\$47,880		\$181,701

Total Projected Debt Service Savings:

\$47,880

Total Projected Present Value of Savings:

\$181,701

Projected Gross Debt Service Savings - 2013 to 2017	\$3,006,555
Projected Present Value of Savings - 2013 to 2017	\$2,811,257

(1) The Outstanding Certificates pay Interest on January 1 & July 1, and redeem Principal on July 1 of each year.

(2) Beginning on April 2, 2016, interest is a variable rate based on the U.S. dollar one month LIBOR plus 2.125%, but in no case lower than 3.30%. The interest and total amounts during the variable rate period are shown assuming the minimum rate of 3.30% and are for illustration purposes only. If LIBOR exceeds 1.175%, the actual amounts will be higher.

(3) The 2013 Bank Loan will pay Interest on April 1 & October 1, and redeem Principal on April 1 of each year, beginning April 1, 2017.

**CITY OF PORTERVILLE
(Tulare County, California)
RESTRUCTURING OF 2005 INFRASTRUCTURE FINANCING PROJECT**

PROJECTED FIXED RATE DEBT SERVICE TO 2016 @ 3.30%

Estimated Par Amount of Loan Financed

\$21,060,000

Projected Settlement Date

April 11, 2013

Date	PROJECTED FIXED RATE DEBT SERVICE TO 2016 ⁽³⁾				
	Principal Redemption	Interest ⁽²⁾ Payment @ 3.30%	Total Debt Service	Projected Debt Service Savings	PV of Debt Serv. Savings @ 3.30%
7/1/2013	\$0	\$0	\$0	\$857,047	\$850,848
7/1/2014	0	675,991	675,991	611,634	583,778
7/1/2015	0	694,980	694,980	590,045	544,346
7/1/2016	0	694,980	694,980	591,390	527,860
	\$0	\$2,065,951	\$2,065,951	\$2,650,115	\$2,506,833

Date	PROJECTED INTEREST PAYMENTS COMPARISON TO 2016 ⁽³⁾		
	2005 COPs' Interest Payments	2013 Loan's Interest Payments	Projected Interest Savings
7/1/2013	\$432,047	\$0	\$432,047
7/1/2014	847,625	675,991	171,634
7/1/2015	830,025	694,980	135,045
7/1/2016	811,370	694,980	116,390
	\$2,921,067	\$2,065,951	\$855,115

(3) The 2013 Bank Loan will pay Interest on April 1 & October 1, and redeem Principal on April 1 of each year, beginning April 1, 2017.

CITY OF PORTERVILLE
(Tulare County, California)
RESTRUCTURING OF 2005 INFRASTRUCTURE FINANCING PROJECT

ESTIMATED SOURCES AND USES OF FUNDS

Delivery Date: April 11, 2013

Sources of Funds:

Principal Amount of Loan	\$21,060,000
City's Funds for Debt Service Reserve	400,000
Total Sources of Funds	<u>\$21,460,000</u>

Sources of Funds:

Projected 2005 Escrow Deposit	\$19,858,701
Debt Service Reserve Fund Deposit	1,000,000
Estimated Costs of Issuance	600,485
Total Uses of Funds	<u>\$21,459,186</u>



Rabobank

The City of Porterville, Calif.
Indicative Terms and Conditions as of March 18, 2013

By accepting this term sheet the City of Porterville (the "City") agrees that (i) it shall use the information contained herein solely for the purpose of evaluating a possible transaction between the City and Rabobank, N.A. (the "Bank") and for no other purpose and (ii) the City and its representatives will keep confidential and not disclose any of such information to any third parties other than its financial advisor and legal counsel, including the fact that the City is considering a possible transaction with the Bank. *The terms and conditions contained in this proposal are not intended to be exhaustive or all-inclusive.*

Borrower:	City of Porterville
Bank:	Rabobank, N.A.
Purpose:	Proceeds will be used to prepay the Certificates of Participation executed and delivered on December 1, 2005 (the "2005 Certificates").
Amount:	Up to \$25,000,000, including principal, interest and expenses.
Terms:	3.3% during interest-only period for 3 years followed by 17 year term at USD 1-month Libor +2.125% with a floor of 3.3%.
Nature of Obligation and Repayment:	Principal security consists of a covenant to budget and appropriate lease payments (the "Obligation") pursuant to lease-leaseback structure that is identical to the 2005 Certificates. Principal to be paid annually and Interest to be paid semiannually.
Facility Fee:	\$85,000.
Prepayment Penalty:	None.
Legal Fees/Expenses of Bank Counsel:	\$25,000.
Bank Counsel:	Fulbright & Jaworski L.L.P.
Opinion of City's Counsel:	The Bank shall receive an opinion of bond counsel to the City acceptable to the Bank, including among other things an opinion that the Obligations have been duly and validly authorized by the City and when issued and delivered will each constitute a legal valid and binding obligation of the City, enforceable in accordance with its terms and that the 2005 Certificates are legally defeased.
Special Covenants:	City will provide audited financial statements within 200 days following the end of each fiscal year.



City will provide unaudited (internally prepared) cash based financial statements within 60 days following the end of each calendar quarter.

City will provide budget annually as well as mid-year revisions, if any.

City shall maintain a debt service reserve fund under the lease designated by the city for repayment of the Obligations, equivalent to \$1,000,000 that may be funded in part with proceeds.

The City shall maintain standard insurance coverages pursuant to the lease in connection with the Obligations, including rental interruption insurance.

Credit Approval and Offer Expiration:

Any offer by the Bank in connection with the proposed transaction will be subject to the Bank's satisfactory completion of its due diligence review of the City and final credit approval by the Bank.

The Bank anticipates able to provide its final credit decision within 2 weeks of being given the mandate to provide the loan.

Absence of Fiduciary Relationship:

The City acknowledges that the transactions described in this document are arms'-length commercial transactions and that the Bank is acting as principal and in its best interests. The City is relying on its own experts, lawyers and advisors to determine whether the transactions described in this document are in its best interests. The City agrees that the Bank will act under this document as an independent contractor and that nothing in this document, the nature of the Bank's services or in any prior relationship will be deemed to create an advisory, fiduciary or City relationship between the Bank, on the one hand, and the City, on the other hand. In addition, the Bank may employ the services of its affiliates in providing certain services in connection with the transactions described in this document and may exchange with such affiliates information concerning the City that may be the subject of the transactions described in this term sheet.

Please note that the Bank and its affiliates do not provide tax, accounting or legal advice. The Bank and its advisors are not serving as a municipal advisor to the City.

Anti-tying Disclosure:

The extension of commercial loans or other products or services to the City by the Bank or any of its subsidiaries will not be conditioned on the City's taking other products or services offered by the Bank or any of its subsidiaries or affiliates. The Bank will not vary the price or other terms of any product or service offered by the Bank or its subsidiaries on the condition that the City purchase another product or service from the Bank or any affiliate. The Bank will not require the City to provide property or services to the Bank or any affiliate as a condition to the



extension of a commercial loan to the City by the Bank or any of its subsidiaries. The Bank will not require the City to refrain from doing business with a competitor of the Bank or any of its affiliates as a condition to receiving a commercial loan from the Bank or any of its subsidiaries.

Bank Contact: Ian Carroll
Senior Vice President
Rabobank, N.A.
915 Highland Pointe Suite 350
Roseville, California 95678
916-878-4655 (office)
916-494-9770 (cell)
Ian.Carroll@Rabobank.com

Acknowledged and Consented: By: _____
City Manager
JOHN LOLLIS

This document has been prepared by the Bank for information purposes only. This document is an indicative summary of the terms and conditions of the transaction described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the transaction will be set out in full in the applicable binding transaction document(s).

This document shall not constitute a commitment to participate in the transaction described herein, which shall be subject to the Bank's internal approvals. No transaction or services related thereto is contemplated without the Bank's subsequent formal agreement. The Bank is acting solely as principal and not as advisor or fiduciary. Accordingly you must independently determine, with your own advisors, the appropriateness for you of the transaction before investing or transacting. The Bank accepts no liability whatsoever for any direct, consequential or other losses arising from the use of this document or reliance on the information contained herein.

The Bank does not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modeling or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

The Bank, its affiliates and the individuals associated therewith may (in various capacities) participate in transactions identical or similar to those described herein.

IRS Circular 230 Disclosure: The Bank and its affiliates do not provide tax advice. Please note that (i) any discussion of US tax matters contained in this communication (including any attachments) cannot be



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used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO THE POTENTIAL TRANSACTION. PRIOR TO TRANSACTING, POTENTIAL PARTICIPANTS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE TRANSACTION AND ANY APPLICABLE RISKS.

CITY OF PORTERVILLE

RESOLUTION NO. _____

RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN LEASE FINANCING DOCUMENTS IN CONNECTION WITH THE REFUNDING OF THE CITY'S CERTIFICATES OF PARTICIPATION (2005 INFRASTRUCTURE FINANCING PROJECT) AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the City Council (the "Council") of the City of Porterville (the "City"), as follows:

WHEREAS, the City, working together with the Porterville Public Financing Authority (the "Authority"), has heretofore caused the execution and delivery of the \$20,850,000 Certificates of Participation (2005 Infrastructure Financing Project) (the "2005 Certificates") evidencing and representing the fractional undivided interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Authority to finance and refinance various public infrastructure improvements on real property within and without the boundaries of the City, including the refunding of certain outstanding obligations of the City (the "Improvements");

WHEREAS, the 2005 Certificates are currently outstanding in the principal amount of \$17,865,000;

WHEREAS, the City has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to refinance its obligations with respect to the 2005 Certificates;

WHEREAS, it is in the public interest and for the public benefit that the City authorize and direct execution of the Lease Agreement (hereinafter defined) and certain other documents in connection therewith; and

WHEREAS, the documents below specified have been filed with the City and the members of the Council, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

Section 1. The Council hereby approves the refinancing of the 2005 Certificates.

Section 2. The below-enumerated documents be and are hereby approved, and the Mayor, the City Manager or the Finance Director, or any designee thereof, is hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, the execution thereof to be conclusive evidence of such approval, and the City Clerk is hereby authorized and directed to attest to such official's signature:

(a) a lease and right of entry agreement (the "Right of Entry Agreement"), by and between the City and the Porterville Public Improvement Corporation (the "Corporation"), pursuant to which the City will, to the extent it is fee owner thereof, lease certain property and improvements, to the Corporation, and to the extent it is the owner of a right other than a fee interest, grant to the Corporation a right of entry upon such other properties in the City or otherwise in the State of California (collectively, the "Property"), necessary for the refinancing of the Improvements;

(b) a lease agreement, by and between the Corporation, as lessor, and the City, as lessee (the "Lease Agreement"), pursuant to which the Corporation will lease the Property back to the City, so long as the City realizes a net present value savings as compared to the lease payments with respect to the 2005 Certificates;

(c) an escrow deposit and trust agreement, by and between the City and U.S. Bank National Association, as trustee for the 2005 Certificates and as escrow bank (the "2005 Trustee"), providing for the defeasance of the 2005 Certificates;

(d) a letter agreement for purchase between Rabobank, N.A. ("Rabobank") and the City, whereby Rabobank agrees to acquire the rights of the Corporation to the lease payments to be made by the City under the Lease Agreement and the rights of the Corporation under the Right of Entry Agreement; and

(e) a termination agreement, by and among the City, the Authority and the 2005 Trustee, whereby the City, the Authority and the 2005 Trustee agree to terminate the documents relating to the 2005 Certificates.

Section 3. The Mayor, the City Manager, the Finance Director, the City Clerk, and all other appropriate officials of the City, are hereby authorized and directed to execute such other agreements, documents and certificates and to take such other actions as may be necessary to effect the purposes of this resolution and the financing herein authorized.

Section 4. This Resolution shall take effect upon its adoption by this Council.

PASSED AND ADOPTED by the City Council of the City of Porterville this 2nd day of April, 2013.

By _____
Virginia R. Gurrola, Mayor

ATTEST:

John D. Lollis, City Clerk

By: Patrice Hildreth, Chief Deputy City Clerk

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION

RESOLUTION NO. _____

RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN LEASE FINANCING DOCUMENTS IN CONNECTION WITH THE REFUNDING OF THE CITY OF PORTERVILLE'S CERTIFICATES OF PARTICIPATION (2005 INFRASTRUCTURE FINANCING PROJECT), AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the Board of Directors (the "Board") of the Porterville Public Improvement Corporation (the "Corporation"), as follows:

WHEREAS, the City of Porterville (the "City"), working together with the Porterville Public Financing Authority (the "Authority"), has heretofore caused the execution and delivery of the \$20,850,000 Certificates of Participation (2005 Infrastructure Financing Project) (the "2005 Certificates") evidencing and representing the fractional undivided interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Authority to finance and refinance various public infrastructure improvements on real property within and without the boundaries of the City, including the refunding of certain outstanding obligations of the City (the "Improvements");

WHEREAS, the 2005 Certificates are currently outstanding in the principal amount of \$17,865,000;

WHEREAS, the City has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to refinance its obligations with respect to the 2005 Certificates;

WHEREAS, it is in the public interest and for the public benefit that the Corporation authorize and direct execution of certain financing documents in connection therewith; and

WHEREAS, the documents below specified have been filed with the Corporation and the members of the Board, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. The below-enumerated documents, substantially in the forms on file with the Secretary, be and are hereby approved, and the President, the Executive Director or the Treasurer, or any designee thereof, is hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, the execution thereof to be conclusive evidence of such approval, and the Secretary is hereby authorized and directed to attest to such official's signature:

(a) a lease and right of entry agreement (the "Right of Entry Agreement"), by and between the City and the Corporation, pursuant to which the City will, to the extent it is fee owner thereof, lease certain property and improvements, to the Corporation, and to the extent it is the owner of a right other than a fee interest, grant to the Corporation a right of entry upon such other properties in the City or otherwise in the State of California (collectively, the "Property"), necessary for the refinancing of the Improvements;

(b) a lease agreement, by and between the Corporation, as lessor, and the City, as lessee (the "Lease Agreement"), pursuant to which the Corporation will lease the Property back to the City; and

(c) an assignment agreement, by and between the Corporation and Rabobank, N.A. (the "Assignee"), pursuant to which the Corporation will assign certain of its rights under the Right of Entry Agreement and the Lease Agreement, including its right to receive lease payments thereunder, to the Assignee.

Section 2. The President, the Executive Director, the Treasurer, the Secretary and other officials of the Corporation are hereby authorized and directed to execute such other agreements, documents and certificates and to take such other actions as may be necessary to effect the purposes of this resolution and the lease financing herein authorized.

Section 3. This Resolution shall take effect upon its adoption by the Board.

PASSED AND ADOPTED by the Board of Directors of the Porterville Public Improvement Corporation this 2nd day of April, 2013.

PORTERVILLE PUBLIC
IMPROVEMENT CORPORATION

By _____
Virginia R. Gurrola, President

ATTEST:

John D. Lollis, Secretary

PORTERVILLE PUBLIC FINANCING AUTHORITY

RESOLUTION NO. _____

**RESOLUTION APPROVING THE FORM AND AUTHORIZING THE
EXECUTION OF A TERMINATION AGREEMENT IN CONNECTION WITH
THE REFUNDING BY THE CITY OF PORTERVILLE OF ITS
CERTIFICATES OF PARTICIPATION (2005 INFRASTRUCTURE
FINANCING PROJECT) AND AUTHORIZING AND DIRECTING CERTAIN
ACTIONS WITH RESPECT THERETO**

RESOLVED, by the Board of Directors (the "Board") of the Porterville Public Financing Authority (the "Authority"), as follows:

WHEREAS, the City of Porterville (the "City"), working together with the Authority, has heretofore caused the execution and delivery of the \$20,850,000 Certificates of Participation (2005 Infrastructure Financing Project) (the "2005 Certificates") evidencing and representing the fractional undivided interests of the owners thereof in rental payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Authority to finance and refinance various public infrastructure improvements on real property within and without the boundaries of the City, including the refunding of certain outstanding obligations of the City;

WHEREAS, the 2005 Certificates are currently outstanding in the principal amount of \$17,865,000;

WHEREAS, the City has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to refinance its obligations with respect to the 2005 Certificates;

WHEREAS, it is in the public interest and for the public benefit that the Authority authorize and direct execution of termination agreements in connection therewith; and

WHEREAS, the documents below specified have been filed with the Authority and the members of the Board, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. A termination agreement, by and among the City, U.S. Bank National Association, as trustee for the 2005 Certificates (the "2005 Trustee"), and the Authority, whereby the City, the Authority and the 2005 Trustee agree to terminate the documents relating to the 2005 Certificates, in the form on file with the Secretary, be and is hereby approved, and the Chairman, the Executive Director or the Treasurer, or any designee thereof, is hereby authorized and directed to execute said document, with such changes, insertions and omissions as may be approved by such official, the execution

thereof to be conclusive evidence of such approval, and the Secretary is hereby authorized and directed to attest to such official's signature.

Section 2. The Chairman, the Executive Director, the Treasurer, the Secretary and other officials of the Authority are hereby authorized and directed to execute such other agreements, documents and certificates and to take such other actions as may be necessary to effect the purposes of this resolution and the lease financing herein authorized.

Section 3. This Resolution shall take effect upon its adoption by the Board.

The foregoing resolution was duly adopted at a meeting of the Board of Directors of the Porterville Public Financing Authority held on the 2nd day of April, 2013.

By: _____
Virginia R. Gurrola, Chairperson

Attest: _____
John D. Lollis, Secretary

LEASE AND RIGHT OF ENTRY AGREEMENT

Dated as of April 1, 2013

by and between the

CITY OF PORTERVILLE, as Lessor and Grantor

and the

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION, as Lessee and Grantee

LEASE AND RIGHT OF ENTRY AGREEMENT

THIS LEASE AND RIGHT OF ENTRY AGREEMENT, dated as of April 1, 2013, by and between the CITY OF PORTERVILLE, a chartered city and municipal corporation organized and existing under and by virtue of its charter and the laws of the State of California (the "City"), as lessor and grantor, and the PORTERVILLE PUBLIC IMPROVEMENT CORPORATION, a nonprofit, public benefit corporation organized and existing under and by virtue of the laws of the State of California (the "Corporation"), as lessee and grantee;

WITNESSETH:

WHEREAS, the Corporation intends to assist the City in the refinancing of various public infrastructure improvements on real property within the boundaries of the City (the "Improvements"), and to lease certain property generally described in Exhibit A hereto to the City pursuant to the provisions of a Lease Agreement, dated as of April 1, 2013 (the "Lease Agreement"), and the City proposes to enter into this Lease and Right of Entry Agreement with the Corporation as a material consideration for the Corporation's agreement to construct the Improvements for, and lease the Property to, the City;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

Section 1. Lease and Right of Entry. To the extent it is fee owner thereof, the City hereby leases to the Corporation and the Corporation hereby leases from the City, on the terms and conditions hereinafter set forth, those properties situated in Tulare County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the "Property"), and any improvements on the Site. To the extent it is the owner of a right other than a fee interest, the City hereby grants to the Corporation and the Corporation hereby accepts from the City, on the terms and conditions hereinafter set forth, a right of entry upon the Site and upon all properties in the City of Porterville or otherwise in the State of California, necessary for the financing of the Improvements.

Section 2. Term. The term of this Lease and Right of Entry Agreement shall commence on the date of execution of this Lease and Right of Entry Agreement and shall end on March 1, 2033, unless such term is extended or sooner terminated as hereinafter provided. If on March 1, 2033, the aggregate amount of Lease Payments (as defined in and) payable under the Lease Agreement, shall not have been paid, or provision shall not have been made for their payment, then the term of this Lease and Right of Entry Agreement shall be extended until such Lease Payments shall be fully paid or provision made for such payment. If prior to March 1, 2043, all Lease Payments shall be fully paid or provision made for such payment, the term of this Lease and Right of Entry Agreement shall end ten (10) days thereafter.

Section 3. Consideration. The City acknowledges receipt from the Corporation as and for this agreement the sum of one dollar (\$1.00), on or before the date of delivery of this agreement.

Section 4. Purpose. The Corporation shall use this Lease and Right of Entry Agreement solely for the purpose of providing the basis for leasing the Property to the City pursuant to the Lease Agreement and for such purposes as may be incidental thereto; provided, that in the event of default by the City under the Lease Agreement, the Corporation and its assigns may exercise the remedies provided in the Lease Agreement including the right of removal.

Section 5. City's Rights in Property. The City covenants that it is the owner in fee of, or is the possessor of an easement or right of entry to, the Property and it will maintain such right or

interest for the term of this Lease and Right of Entry Agreement and, in all cases, has all right to convey a right of entry to the Corporation thereon as is provided herein.

Section 6. Assignments and Subleases. Unless the City shall be in default under the Lease Agreement, the Corporation may not assign its rights under this Lease and Right of Entry Agreement except as provided in the Lease Agreement, without the written consent of the City.

Section 7. Termination. The Corporation agrees, upon the termination of this Lease and Right of Entry Agreement to surrender its rights hereunder.

Section 8. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Lease and Right of Entry Agreement, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the City may exercise any and all remedies granted by law, except that no merger of this Lease and Right of Entry Agreement and of the Lease Agreement shall be deemed to occur as a result thereof.

Section 9. Waiver of Personal Liability. All liabilities under this Lease and Right of Entry Agreement on the part of the City are solely liabilities of the City and the City hereby releases each and every, member, director, officer, employee and agent of the Corporation of and from any personal or individual liability under this Lease and Right of Entry Agreement. No member, director, officer, employee or agent of the Corporation shall at any time or under any circumstances be individually or personally liable under this Lease and Right of Entry Agreement for anything done or omitted to be done by the City hereunder.

Section 10. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Lease and Right of Entry Agreement shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Lease and Right of Entry Agreement shall be affected thereby, and each provision of this Lease and Right of Entry Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 11. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City, addressed to the City in care of the City Manager, City of Porterville, 291 North Main Street, Porterville, CA 93257, or if to the Corporation, addressed to the Corporation in care of the Executive Director, the Porterville Public Financing Corporation, 291 North Main Street, Porterville, CA 93257, or to such other addresses as the respective parties may from time to time designate by notice in writing.

Section 12. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease and Right of Entry Agreement.

Section 13. Execution. This Lease and Right of Entry Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same agreement.

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

CITY OF PORTERVILLE, as Lessor and Grantor

By _____
John D. Lollis
City Manager

Attest:

Patrice Hildreth
Chief Deputy City Clerk

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION, as Lessee and Grantee

By _____
John D. Lollis
Executive Director

Attest:

Patrice Hildreth
Deputy Secretary

EXHIBIT A

PROPERTY DESCRIPTION

Projects	Est. Cost of Existing Curb, Gutter Sidewalk Improvement (1)	Est. Cost of Existing Pavement (2)	Est. Right of Way Cost and Title Type (3)	Total Worth
BRIDGES				
South Plano-Tule River	—	—	—	\$2,500,000
South Main-Tule River	—	—	—	\$2,500,000
South Jaye-Tule River	—	—	—	\$2,500,000
SLOUGH CROSSINGS				
W Henderson-Porter Slough	—	—	—	\$375,000
N. Westwood-Porter Slough	—	—	—	\$375,000
STREETS				
E. Morton	1200'x62.50=\$75,000	6600'x112.50=\$742,500	6600'x7.50=\$49,600	\$887,000
N. Conner-Morton/E. Olive	—	1400'x112.50=\$157,500	2800'x7.50=\$21,000	\$178,600
E. Olive-Putnam/Tulsa	1000'x62.50=\$62,500	7000'x112.50=\$787,500	7000'x7.50=\$52,500	\$902,500
N. Indiana-Olive/Morton	2000'x62.50=\$125,000	2000'x187.50=\$375,000	2000'x7.50=\$15,000	\$515,000
W Henderson-Newcomb/ Westwood	6500'x62.50=\$406,250	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$1,066,250
N. Main-Henderson/Linda Vista	1000'x62.50=\$62,500	11,000'x112.50=\$1,237,500	5000'x7.50=\$37,500 plus	\$1,412,500
W Olive-Newcomb/Westwood	4000'x62.50=\$250,000	5500'x187.50=\$1,031,250	6000'x12.50=\$75,000 3000'x7.50=\$22,500 plus 2500'x12.50=\$31,250	\$1,335,000
E. Orange-Piano/S. Main	3000'x62.50=\$187,500	3000'x187.50=\$562,500	3000'x12.50=\$37,500	\$787,500
S. Jaye-Olive/Gibbons	4000'x62.50=\$260,000	4000'x187.50=\$750,000 plus 5500'x112.50=\$618,750	5500'x12.50=\$68,750 plus 4000'x7.50=\$30,000	\$1,717,500
S. Newcomb-Olive/Hwy 190	2000'x62.50=\$125,000	3000'x112.50=\$337,500	1500'x12.50=\$18,750 plus 2500'x7.50=\$18,750	\$500,000
Gibbons-S. Main/Indiana	—	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$680,000
S. Main-Hwy-190/Gibbons	1500'x62.50=\$93,750	4000'x187.50=\$750,000	4000'x12.50=\$50,000	\$893,750
N. Prospect-Morton/Pioneer	6500'x62.50=\$406,250	1500'x187.50=\$281,250 plus 5000'x112.50=\$562,500	1500'x12.50=\$18,750 plus 5000'x7.50=\$37,500	\$1,306,250
E. Date-S. Main/Plano	500'x62.50=\$31,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$331,250
W. Westfield-Hwy. 65/N. Main	3500'x62.50=\$218,750	3500'x112.50=\$393,750	3500'x7.50=\$26,250	\$636,750
N. Newcomb-Mulberry/N. Grand	3500'x62.50=\$218,750	5000'x187.50=\$937,500	5000'x7.50=\$37,500	\$1,193,750
N. Westwood- Henderson/Friant Canal	3000'x31.25=\$83,750	1000'x93.75=\$93,750 plus 3000'x112.50=\$337,500	4000'x7.50=\$30,000	\$555,000
Downtown Parking Lots	4x \$250,000=\$1,000,000			\$1,000,000
S. Indian-Olive/Springville	2000'x62.50=\$125,000	3500'x112.50=\$393,750	1500'x7.50=\$11,250	\$530,000
N. Prospect-Olive/Morton	2500'x62.50=\$156,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$456,250
N. Villa-Olive/Henderson	5000'x62.50=\$312,500	5000'x112.50=\$562,500	4000'x7.50=\$30,000 plus 1000'x12.50=\$12,500	\$917,500
W Henderson-Indiana/N. Main	4500'x62.50=\$281,250	4500'x187.50=\$843,750	4500'x7.50=\$33,750	\$1,158,750
N. Main-Morton/Henderson	3000'x62.50=\$187,500	3000'x187.50=\$582,500	3000'x12.50=\$37,500	\$787,500
W Grand-"E"/Newcomb	8500'x62.50=\$531,250	8500'x112.50=\$956,250	8500'x7.50=\$63,750	\$1,561,250
N. Piano-Henderson/Reid	1500'x62.50=\$93,750	2000'x187.50=\$375,000 plus 4000'x112.50=\$450,000	6000'x7.50=\$45,000	\$963,500
N. Leggett-Success/Henderson	6000'x62.50=\$375,000	7500'x112.50=\$843,750	7500'x7.50=\$58,250	\$1,275,000
Main-Date/Morton	5000'x187.50=\$937,500	5000'x1000=\$5,000,000	5000'x62.50=\$312,500	\$6,250,000
				<u>\$38,000,600</u>

- (1) Average cost for Curb/Gutter/Sidewalk \$31.25 per linear foot (one side), \$62.50 per linear foot (two sides), excluding bridges.
- (2) Average cost for Arterial Pavement Section \$187.50 per linear foot. Average cost for Major Collector Pavement section \$112.50 per linear foot.
- (3) Right of Way value without improvements. Residential-\$6 per square foot. Commercial-\$20 per square foot (includes both sides of street)

LEASE AGREEMENT

Dated as of April 1, 2013

by and between the

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION, as Lessor

and

CITY OF PORTERVILLE, as Lessee

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EXHIBIT A: DESCRIPTION OF THE PROPERTY
 EXHIBIT B: SCHEDULE OF LEASE PAYMENTS

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease Agreement"), is dated as of April 1, 2013, by and between the PORTERVILLE PUBLIC IMPROVEMENT CORPORATION, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as lessor (the "Corporation"), and CITY OF PORTERVILLE, a chartered city and municipal corporation organized and existing under its charter and the laws of the State of California, as lessee (the "City");

WITNESSETH:

WHEREAS, pursuant to that certain Lease and Right of Entry Agreement, dated as of December 1, 2005 (the "2005 Lease and Right of Entry Agreement"), the City leased certain property and granted to the Corporation a right of entry upon certain properties in the City of Porterville (the "Property"), all for the purpose of enabling the City to finance various public infrastructure improvements and to refund the then outstanding Certificates of Participation (1998 Infrastructure Financing Project);

WHEREAS, pursuant to that certain Lease Agreement, dated as of December 1, 2005 (the "2005 Lease Agreement"), the Corporation leased the Property back to the City and assigned its right to receive lease payments under the Lease Agreement (the "2005 Lease Payments"), its right to enforce payment of the 2005 Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default thereunder by the City, to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to that certain Assignment Agreement, dated as of December 1, 2005, by and between the Corporation and the Trustee;

WHEREAS, pursuant to that certain Trust Agreement, dated as of December 1, 2005, by and among the City, the Corporation and the Trustee, the Trustee executed and delivered certificates of participation (the "2005 Certificates") in the Lease Payments;

WHEREAS, the City, working together with the Corporation, proposes to provide for the defeasance of the 2005 Certificates;

WHEREAS, pursuant to that certain Lease and Right of Entry Agreement, dated as of April 1, 2013 (the "Lease and Right of Entry Agreement"), the City has leased the Property to the Corporation and proposes, pursuant to this Lease Agreement, to lease the Property back to the City and to assign all of its rights, title and interest in, to and under this Lease Agreement, including its right to receive lease payments under this Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default hereunder by the City and its rights under the Lease and Right of Entry Agreement, to Rabobank, N.A. (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of April 1, 2013, by and between the Corporation and the Assignee; and;

WHEREAS, the City and the Corporation have agreed to enter into this Lease Agreement providing for Lease Payments with an aggregate principal component in the amount of \$21,060,000 for the purpose of providing for the defeasance of the 2005 Certificates.

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. All terms defined in this Section 1.1 have the meanings herein specified for all purposes of this Lease Agreement.

"Applicable Environmental Laws" means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC Sections 9601 *et seq.*; the Resource Conservation and Recovery Act, 42 USC Sections 6901 *et seq.*; the Federal Water Pollution Control Act, 33 USC Sections 1251 *et seq.*; the Clean Air Act, 42 USC Sections 7401 *et seq.*; the California Hazardous Waste Control Law, California Health & Safety Code Sections 25100 *et seq.*; the Hazardous Substance Account Act, California Health & Safety Code Sections 25300 *et seq.*; the Porter-Cologne Water Quality Control Act, California Water Code Sections 1300 *et seq.*; the Air Resources Act, California Health & Safety Code Sections 3900 *et seq.*; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code Sections 25249.5 *et seq.*; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

- (a) the existence, cleanup, and/or remedy of contamination on property;
- (b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination;
- (c) the control of hazardous wastes; or
- (d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

"Assignee" means (a) initially, Rabobank, N.A., as assignee of all rights, title and interests (but none of the obligations) of the Corporation hereunder, and (b) any other entity to whom the rights of the Corporation hereunder are assigned, including subsequent assignees of the Assignee.

"Assignment Agreement" means the Assignment Agreement, dated as of April 1, 2013, between the Corporation, as assignor of its rights under the Lease and Right of Entry Agreement and this Lease Agreement, and the Assignee, as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

"Bond Counsel" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations of public entities.

"City" means the City of Porterville, a municipal corporation and chartered city and existing under the laws of the State.

"City Representative" means the Mayor, the City Manager or the Finance Director, or the designee of any such official, or any other person authorized by resolution to act on behalf of the City under or with respect to the Lease and Right of Entry Agreement and the Lease Agreement.

"Closing Date" means the date of execution and delivery of this Lease Agreement by the parties hereto, being April 11, 2013.

"Corporation" means Porterville Public Improvement Corporation, a nonprofit, public benefit corporation, organized and existing under the laws of the State.

"Corporation" means the President, the Executive Director or the Treasurer of the Corporation, or the designee of any such official, or any other person authorized by resolution to act on behalf of the Corporation under or with respect to the Lease and Right of Entry Agreement, the Lease Agreement and the Assignment Agreement.

"Escrow Agreement" means that certain Escrow Deposit and Trust Agreement, dated as the Closing Date, by and between the City and the Escrow Bank, providing for the defeasance of the 2005 Certificates.

"Escrow Bank" means U.S. Bank National Association, as escrow bank under the 2005 Escrow Agreement.

"Escrow Fund" means the escrow fund established by the Escrow Bank under the 2005 Escrow Agreement.

"Event of Default" means any of the events of default as defined in Section 8.1.

"Federal Securities" means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

"Fiscal Year" means each twelve-month period during the Term of this Lease Agreement commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the City as its fiscal year period.

"Hazardous Substance" means any substance that shall, at any time, be listed as "hazardous" or "toxic" in any Applicable Environmental Law or that has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing, or other activities on the Facilities, wastes, petroleum, and source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Sections 3011 *et seq.*).

"Lease" means this Lease Agreement dated as of April 1, 2013, between the Corporation and the City.

"Lease Payment Date" means April 1 and October 1 in each year, commencing October 1, 2013, and continuing to and including the date on which the Lease Payments are paid in full.

"Lease Payments" means all payments required to be paid by the City under Section 4.3, including any prepayment thereof under Sections 9.2 or 9.3.

"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 Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"2005 Certificates" means the \$20,850,000 Certificates of Participation (2005 Infrastructure Financing Project), evidencing and representing the fractional undivided interests of the owners

thereof in rental payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Corporation to finance and refinance capital projects, currently outstanding in the principal amount of \$17,865,000.

"2005 Lease Agreement" means that certain Lease Agreement, dated as of October 1, 2005, by and between the Corporation and the City.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article VI of this Lease Agreement; (b) the Lease and Right of Entry Agreement, this Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (d) any easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Property for its intended purposes.

"Property" means that certain property more particularly described in Exhibit A to the Lease and Right of Entry Agreement and in Exhibit A to the Lease Agreement.

"Rental Period" means each period during the Term of the Lease commencing on and including April 2 in each year and extending to and including the next succeeding April 1. The first Rental Period begins on the Closing Date and ends on April 1, 2014.

"Lease and Right of Entry Agreement" means the Lease and Right of Entry Agreement, dated as of April 1, 2013, by and between the City, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

"State" means the State of California.

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

Section 1.2. Interpretation.

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

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

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

Section 1.3. Exhibits. The following exhibits are attached to, and by this reference made a part of, this Lease Agreement:

Exhibit A: The description of the Property.

Exhibit B: The schedule of Lease Payments to be paid by the City hereunder with respect to the Property, showing the Lease Payment Date and amount of each such Lease Payment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Corporation and the Assignee as follows:

(a) *Due Organization and Existence*. The City is a municipal corporation and chartered city, duly organized and existing under and by virtue of the laws of the State, has full legal right, power and authority under the laws of the State to enter into the Lease and Right of Entry Agreement and this Lease Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the City has duly authorized the execution and delivery by the City of the Lease and Right of Entry Agreement and this Lease Agreement.

(b) *Due Execution*. The representative of the City executing the Lease and Right of Entry Agreement and this Lease Agreement has been fully authorized to execute the same by a resolution duly adopted by the City Council of the City.

(c) *Valid, Binding and Enforceable Obligations*. The Lease and Right of Entry Agreement and this Lease Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms.

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

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

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

have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, or the financial condition, assets, properties or operations of the City.

(g) *Sufficient Funds*. The City reasonably believes that sufficient funds can be obtained to make all Lease Payments and all other amounts required to be paid pursuant to this Lease Agreement.

(h) *No Defaults*. The City has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Lease Agreement, or under any of its bonds, notes, or other debt obligations.

(i) *Fee Title*. The City is the owner in fee of title to the Property or, if it is not the fee owner, it has the right of entry thereon. No lien or encumbrance on the Property materially impairs the City's use of the Property for the purposes for which it is, or may reasonably be expected to be, held.

(j) *Use of the Property*. During the term of this Lease Agreement, the Property will be used by the City only for the purpose of performing one or more governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

(k) *Change in Financial Condition*. The City has experienced no material change in its financial condition since June 30, 2012.

(l) *Hazardous Substances*. Except to the extent disclosed to the Assignee, the Property is free of all Hazardous Substances, and the City is in full compliance with all Applicable Environmental Laws.

(m) *Flooding Risk*. The Property is not located in a flood hazard area and has never been subject to material damage from flooding.

(n) *Value of Property*. The insured value of the Property (real property replacement cost) is not less than \$25,000,000.

(o) *Essential to City Operations*. The Property is essential to the City's efficient and economic operations and the lease thereof for use by the City is in the best interest of the City.

Section 2.2. Representations, Covenants and Warranties of The Corporation. The Corporation represents, covenants and warrants to the City and the Assignee as follows:

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

(b) *Due Execution*. The representative of the Corporation executing the Lease and Right of Entry Agreement, this Lease Agreement and the Assignment Agreement is fully authorized to execute the same under official action taken by the Board of Directors of the Corporation.

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

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

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

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

ARTICLE III

DEPOSIT OF MONEYS

DEPOSIT AND APPLICATION OF FUNDS

Section 3.1. Deposit of and Application of Funds. On the Closing Date, the Assignee shall cause the amount of \$19,859,514.80 to be transferred to the Escrow Bank for deposit in the 2005 Escrow Fund to be applied to the defeasance of the 2005 Certificates. Such amounts shall be derived from amounts paid by the Assignee in consideration for the purchase of the assignment under the Assignment Agreement. In addition, a portion of the amount paid by the Assignee under the Assignment Agreement (net of amounts retained by the Assignee for its fees) (a) in the amount of \$600,000 shall be deposited in the Reserve Fund (hereinafter defined), and (b) in the amount of \$515,485.20 shall be applied by the Assignee to pay financing costs of the transaction. The City will deposit an additional \$400,000.00 in the Reserve Fund, for a total deposit therein of \$1,000,000.00.

Section 3.2. Termination of 2005 Lease Agreement. As a result of the defeasance of the 2005 Certificates, the 2005 Lease Agreement has been discharged and terminated in accordance with its terms. On the Closing Date, the City shall enter into an agreement terminating the 2005 Lease Agreement.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF THIS LEASE AGREEMENT; LEASE PAYMENTS

Section 4.1. Sublease of Property by the Corporation Back to the City.

(a) The Corporation hereby subleases the Property to the City, and the City hereby subleases the Property from the Corporation, upon the terms and conditions set forth in this Lease Agreement.

(b) The leasing of the Property by the City to the Corporation pursuant to the Lease and Right of Entry Agreement shall not affect or result in a merger of the City's subleasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Lease and Right of Entry Agreement.

Section 4.2. Term. The Term of this Lease Agreement commences on the date of recordation of this Lease Agreement and ends on April 1, 2033, or the date on which all of the Lease Payments have been paid in full. If on April 1, 2033, the Lease Payments payable hereunder shall have been abated at any time and for any reason and not otherwise paid from rental interruption insurance or other sources, or the City shall have defaulted in its payment of Lease Payments hereunder or any Event of Default has occurred and continues without cure by the City, then the term of this Lease Agreement shall be extended for the actual period of abatement or for so long as the default remains uncured, as necessary to accommodate the final payment of all Lease Payments due hereunder, not to exceed ten (10) years. The provisions of this Section 4.2 are subject to the provisions of Section 6.1 relating to the taking in eminent domain of the Property or any portion thereof.

Section 4.3. Lease Payments.

(a) *Obligation to Pay.* Subject to the provisions of Sections 6.1 and 6.3 and the provisions of Article IX, the City agrees to pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibits C attached hereto (including any supplements thereto) and by this reference incorporated herein, to be due and payable in immediately available funds on each of the respective Lease Payment Dates specified in Exhibit C. The Lease Payments payable in any Rental Period with respect to the Property shall be for the use of the Property during such Rental Period.

The interest component of the portion of the Lease Payments for the period beginning on the Closing Date and ending on April 1, 2016, have been calculated based on an interest rate of 3.30% per annum, on an actual days elapsed basis. The interest component of the portion of the Lease Payments for the period beginning on April 2, 2016 and ending on April 1, 2033, will be calculated based on the U.S. dollar one month LIBOR, plus 2.125% per annum, but in no case lower than 3.30% per annum, on an actual days elapsed basis. The City understands that the Assignee will send an invoice to the City in advance of each Lease Payment Date, however, failure to receive an invoice shall not relieve the City of its obligation to make timely Lease Payments.

(b) *Additional Payments.* In addition to the Lease Payments set forth herein, the City agrees to pay as Additional Payments all of the following:

(i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and

gross receipts taxes, if any, levied upon the Property or upon any interest of the Corporation therein or in this Lease Agreement; provided, however, the City may, at the City's expense and in its name, in good faith contest any such taxes and assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Corporation shall notify the City that, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property, or any portion thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes and assessments or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation;

(ii) insurance premiums, if any, on all insurance required under the provisions of Article V hereof;

(iii) any other reasonable fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Lease Agreement or any of the transactions contemplated hereby or related to the Property, including, without limitation, any amounts which may become due; provided, however, the City shall not be responsible for any costs incurred by the Corporation associated with any assignment made by the Assignee; and

(iv) any amounts required to be paid as rebate to the United States pursuant to the Tax Certificate.

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

(c) *Effect of Prepayment.* If the City prepays all Lease Payments in full under Sections 9.2 or 9.3, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Section 9.3, the principal components of the remaining Lease Payments will be reduced on a pro rata basis; and the interest component of each remaining Lease Payment will be reduced on a pro rata basis.

(d) *Rate on Overdue Payments.* If the City fails to make any of the payments required in this Section 4.3, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the rate of 12% per annum or any lesser maximum legal rate.

(e) *Fair Rental Value.* The Lease Payments coming due and payable during each Rental Period constitute the total rental for the Property for such Rental Period, and will be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments are not in excess of the fair rental value of the Property. In making this determination, consideration has been given to the estimated fair market value of the Property, the estimated replacement cost of the Property, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(f) *Source of Payments; Budget and Appropriation.* The Lease Payments are payable from any source of legally available funds of the City, subject to the provisions of Sections 6.1, 6.3 and 9.1. The City covenants to take such action as may be necessary to include all Lease Payments in each of its annual budgets during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the City herein contained constitute duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

(g) *Allocation of Rental Payments.* All Lease Payments received shall be applied first to the interest components of the Lease Payments due hereunder, then to the principal components of the Lease Payments due hereunder, but no such application of any payments that are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

(h) *No Offsets.* Notwithstanding any dispute between the Corporation, or Assignee as the Corporation's assignee, and the City, the City shall make all Lease Payments when due without deduction or offset of any kind and shall not withhold any Lease Payments pending the final resolution of such dispute.

(i) *Assignment Agreement.* The City understands and agrees that all Lease Payments have been assigned by the Corporation to the Assignee under the Assignment Agreement recorded concurrently herewith, and the City hereby assents to such assignment. The Corporation hereby directs the City, and the City hereby agrees, to pay to the Assignee (or to its assignees as directed pursuant to Section 7.4 hereof) all payments payable by the City under this Section 4.3 and all amounts payable by the City under Article IX. Lease Payments shall be paid to the Assignee as follows:

Bank Name:	Rabobank, N.A.
Address:	915 Highland Pointe Drive, Suite 350 Roseville, CA 95678
ABA Routing Number:	122238420
Account #	
Reference:	

Section 4.4. Additional Security. In order to provide additional security to the Assignee, the City has agreed to maintain a debt service reserve fund (the "Reserve Fund") in the total amount of \$1,000,000, to be held by the Assignee, which Reserve Fund may be drawn upon by the Assignee if the City's fails to make any Lease Payment on or prior to a specified Lease Payment Date. The Reserve Fund is hereby pledged by the City for such purposes. If the Assignee is required to draw upon the Reserve Fund to satisfy a failed Lease Payment, the City agrees to replenish the Reserve Fund to its required amount within 90 days of such draw.

Section 4.5. Quiet Enjoyment. Throughout the Term of this Lease Agreement, the Corporation will provide the City with quiet use and enjoyment of the Property and the City will peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease Agreement. The Corporation will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation and the Assignee have the right to inspect the Property as provided in Sections 5.12(c) and 7.2.

Section 4.6. Title. At all times during the Term of this Lease Agreement, the City shall hold title to the Property, including all additions which comprise fixtures, repairs, replacements

or modifications thereto, subject to Permitted Encumbrances and subject to the provisions of Section 7.2.

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

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; USE LIMITATIONS; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Property, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of this Lease Agreement.

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

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

Section 5.2. Modification of Property. The City shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.2, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section 5.2; provided that if any such lien is established and the City shall first notify the Corporation of the City's intention to do so, the City may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the City.

Section 5.3. Public Liability Insurance. The City shall maintain or cause to be maintained throughout the Term of this Lease Agreement a standard comprehensive general insurance policy or policies in protection of the City, the Assignee and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Such policy or policies must provide coverage with limits of at least \$1,000,000 per occurrence, \$3,000,000 in the aggregate, for bodily injury and property damage coverage, and excess liability umbrella coverage of at least \$5,000,000, and in all events in form and amount (including any deductibles) satisfactory to the Assignee. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, with Assignee's prior written consent, 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.

Section 5.4. Casualty Insurance. The City will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Property and owned by the City, in an amount at least equal to the greater of the replacement value of the insured buildings and the aggregate principal amount of the Lease Payments outstanding, with a lender's loss payable endorsement. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Such insurance shall be subject to a deductible of not to exceed \$250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City (including, with the Assignee's prior written consent, 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 6.2.

Section 5.5. Rental Interruption Insurance. The City shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property constituting structures, if any, during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by Section 5.4 hereof, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. The City may not satisfy the requirements of this Section 5.5 with self-insurance

Section 5.6. Worker's Compensation Insurance. If required by applicable California law, the City shall carry worker's compensation insurance covering all employees on, in, near or about the Property and, upon request, shall furnish to the Corporation 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.

Section 5.7. Insurance Net Proceeds; Form of Policies. All insurance policies (or riders) required by this Article V 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 days before the cancellation or revision becomes effective. Each

insurance policy or rider required by Sections 5.3, 5.4 and 5.5 and provided by third party insurance carriers shall name the City and the Assignee as insured parties and the Assignee as loss payee and shall include a lender's loss payable endorsement for the benefit of the Assignee. In the case of coverage pursuant to Section 5.3, the Assignee shall be added as an additional insured for coverage up to \$1,000,000. Prior to the Closing Date, the City will deposit with the Assignee 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 Assignee evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article V unless such insurance is no longer obtainable, in which event the City shall notify the Assignee of such fact.

Section 5.8. Advances. If the City shall fail to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as soon as possible, with interest at a rate equal to the rate then payable with respect to this Lease Agreement from the date of the advance to the date of repayment.

Section 5.9. Installation of District's Personal Property. The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the City, in which the Corporation has no interest, and may be modified or removed by the City at any time. The City must repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest may attach to any part of the Property.

Section 5.10. Liens. The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Corporation and the City as provided herein and Permitted Encumbrances. Except as expressly provided in this Article V, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.11. No Condemnation. The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as this Lease Agreement remains unpaid, the City will not exercise the power of condemnation with respect to the Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fall or refuse to abide by such covenant and condemns the Property, the value of the Property shall not be less than the principal and interest components of the Lease Paymentsase.

Section 5.12. Environmental Covenants.

(a) *Compliance with Laws; No Hazardous Substances*. The City will comply with all Applicable Environmental Laws with respect to the Property and will not use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would

cause any Hazardous Substance to later flow, migrate, leak, leach, or otherwise come to rest on or in the Property.

(b) *Notification of Assignee.* The City will transmit copies of all notices, orders, or statements received from any governmental entity concerning violations or asserted violations of Applicable Environmental Laws with respect to the Property and any operations conducted thereon or any conditions existing thereon to the Assignee, and the City will notify the Assignee in writing immediately of any release, discharge, spill, or deposit of any Hazardous Substance that has occurred or is occurring that in any way affects or threatens to affect the Property, or the people, structures, or other property thereon, provided that no such notification shall create any liability or obligation on the part of the Assignee.

(c) *Access for Inspection.* The City will permit the Assignee, its agents, or any experts designated by the Assignee to have full access to the Property during reasonable business hours for purposes of such independent investigation of compliance with all Applicable Environmental Laws, provided that the Assignee has no obligation to do so, or any liability for any failure to do so, or any liability should it do so.

Section 5.13. City Consent to Assignment Agreements. Certain of the Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments, and the Lease and Right of Entry Agreement, are being assigned to the Assignee pursuant to the Assignment Agreement. The City hereby consents to such assignment and to any additional assignment of such rights by the Assignee or its assignees. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Assignee or its assignees to protect their interests in the Property and in this Lease Agreement.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain. If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments in an amount equal to the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the City and the Corporation and communicated to the Assignee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Section 6.2. Application of Net Proceeds.

(a) *From Insurance Award.*

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

(ii) Within ninety (90) days following the date of such deposit, the City shall determine and notify the Corporation and the Assignee in writing of its determination either (A) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the City and the Net Proceeds, together with other moneys available therefor, are sufficient to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to Section 9.3 hereof, or (B) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property and the fair rental value of the Property following such repair, restoration, replacement, modification or improvement will at least equal the unpaid Lease Payments.

(iii) In the event the City's determination is as set forth in clause (A) of subparagraph (ii) above, such Net Proceeds shall be promptly applied to the prepayment of Lease Payments pursuant to Section 9.3 of this Lease Agreement; *provided, however,* that in the event of damage or destruction of the Property in full, such Net Proceeds may be so applied only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to Section 9.3 of this Lease Agreement and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Property; *provided further, however,* that in the event of damage or destruction of the Property in part, such Net Proceeds may be applied to the prepayment of Lease Payments only if the resulting Lease Payments following such prepayment from Net Proceeds represent fair consideration for the remaining portions of the Property and otherwise such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Property, evidenced by a certificate signed by a City Representative.

(iv) In the event the City's determination is as set forth in clause (B) of subparagraph (ii) above, such Net Proceeds shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, and until the Property has been restored to its prior condition, the City shall not place any lien or encumbrance on the Property that is senior to this Lease Agreement without the prior written consent of the Assignee, at its sole discretion.

(b) *From Eminent Domain Award.* If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited by the City in the Insurance and Condemnation Fund and shall be applied and disbursed as follows:

(i) If the City has given written notice to the Corporation and the Assignee of its determination that (A) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under this Lease Agreement, and (B) such proceeds are not needed for repair or rehabilitation of the Property, the City shall so certify to the Corporation and the Assignee, and the City shall credit such proceeds towards the prepayment of the Lease Payments pursuant to Section 9.3 of this Lease Agreement.

(ii) If the City has given written notice to the Corporation and the Assignee of its determination that (A) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under this Lease Agreement, and (B) such proceeds are needed for repair, rehabilitation or replacement of the Property, the City shall so certify to the Corporation and the Assignee, and the City shall apply such amounts for such repair or rehabilitation.

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

(iv) In making any determination under this Section 6.2(b), the City may, but shall not be required to, obtain at its expense, the report of an independent engineer or other independent professional consultant, a copy of which shall be filed with the Corporation and the Assignee. Any such determination by the City shall be final.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof to the extent to be agreed upon by the City, the Corporation and the Assignee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in Exhibit C, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon an appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value.

Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as evidenced by a Certificate of a District Representative to the Corporation and the Assignee. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VII

OTHER COVENANTS OF THE CITY

Section 7.1. Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY. IN NO EVENT SHALL THE CORPORATION OR ITS ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE LEASE AND RIGHT OF ENTRY AGREEMENT, THIS LEASE AGREEMENT OR THE TRUST AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROPERTY.

Section 7.2. Access to the Property; Grant and Conveyance of Right of Entry. The City agrees that the Corporation, and the Corporation's successors or assigns, has the right at all reasonable times, following at least 48 hours written notice provided to the City, to enter upon and to examine and inspect the Property or any part thereof. The City further agrees that the Corporation, and the Corporation's successors or assigns shall have such rights of access to the Property or any component thereof, following at least 48 hours written notice provided to the City, as may be reasonably necessary to cause the proper maintenance of the Property if the City fails to perform its obligations hereunder. Neither the Corporation nor any of its assigns has any obligation to cause such proper maintenance.

The City further grants, conveys and confirms to the Corporation, for the use, benefit and enjoyment of the Corporation, its successors in interest to the Property, including the Assignee, and its sublessees, and their respective employees, invitees, agents, independent contractors, patrons, customers, guests and members of the public visiting the Property, a right of entry which shall be irrevocable for the Term of this Lease Agreement over, across and under the property of the City adjacent to the Property to and from the Property for the purpose of: (a) ingress, egress, passage or access to and from the Property by pedestrian or vehicular traffic; (b) installation, maintenance and replacement of utility wires, cables, conduits and pipes; and (c) other purposes and uses necessary or desirable for access to and from and for operation and maintenance of the Property.

Section 7.3. Release and Indemnification Covenants. The City hereby indemnifies the Corporation, the Assignee and their respective officers, agents, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Property, (e) the acquisition, construction, improvement and equipping of the Property, (f) the clean-up of any Hazardous Substances or toxic wastes from the Property, (g) any claim alleging violation of any Applicable Environmental Laws, or the authorization of payment of the costs thereof, or (h) any loss of the federal income tax exemption of the interest portion of Lease Payments and any interest or penalties imposed by the Internal Revenue Service on the Assignee in connection therewith, any such amount with respect to past Lease Payments to be paid to the Assignee in a single lump sum payment upon demand of the Assignee, and any such amount with respect to future Lease Payments to be paid as an increase in the interest portion of Lease Payments such that the after tax yield to the Assignee shall remain the same following the loss of the federal income tax exemption as it was before such loss of tax

exemption. No indemnification is made under this Section 7.3 or elsewhere in this Lease Agreement for willful misconduct or gross negligence under this Lease Agreement by the Corporation, the Assignee, or their respective officers, agents, employees, successors or assigns. The indemnification hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease Agreement or the termination of the Term of this Lease Agreement for any reason. The City and the Corporation each agree to promptly give notice to each other and the Assignee of any claim or liability hereby indemnified against following learning thereof.

Section 7.4. Assignment Agreement by the Corporation. The Corporation's rights, title and interests under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City hereunder, have been assigned to the Assignee. The City hereby consents to such assignment. Whenever in this Lease Agreement any reference is made to the Corporation and such reference concerns rights which the Corporation has assigned to the Assignee, such reference shall be deemed to refer to the Assignee (including its assignees).

The Assignee may make additional assignments of its rights, title and interests herein, but no such assignment will be effective as against the City unless and until the Assignee has filed with the City written notice thereof. The City shall pay all Lease Payments hereunder to the Assignee, as provided in Section 4.3(h) hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the City. During the Term of this Lease Agreement, the City will keep a complete and accurate record of all such notices of assignment.

Section 7.5. Assignment Agreement and Subleasing by the City. This Lease may not be assigned, mortgaged, pledged or transferred by the City. The City may sublease the Property, or any portion thereof, with the prior written consent of the Assignee, at the Assignee's sole discretion, subject to all of the following conditions:

(a) This Lease and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City, and any sublease shall be subject and subordinate to this Lease Agreement.

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

(c) No such sublease by the City may cause the Property to be used for a purpose other than as may be authorized under the provisions of the laws of the State.

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

(e) Any such sublease shall be subject and subordinate in all respects to the Lease and Right of Entry Agreement and this Lease Agreement.

Notwithstanding the foregoing, in connection with any sublease entered into for financing purposes, the principal component of the then remaining Lease Payments plus the principal component of the sublease payments shall not exceed the value of the Property.

Section 7.6. Amendment of Lease Agreement. This Lease may be amended with the prior written consent of the Corporation and the Assignee (at the Assignee's sole discretion)

provided such amendment does not, in the Assignee's sole judgment, adversely affect the Assignee.

Section 7.7. Financial Statements; Budgets. Within two hundred (200) days following the end of each Fiscal Year of the City during the Term of this Lease Agreement, the City will provide the Corporation and the Assignee with a copy of its audited financial statements for such Fiscal Year. Such audited financial statements shall include such information as is required by applicable Government Accounting Standards Board pronouncements and applicable State law. At Assignee's request, the City will provide the Assignee with a copy of its annual budget and any interim updates or modifications to such budget.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. Any one or more of the following events constitutes an Event of Default hereunder:

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

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Assignee. However, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the Corporation and the Assignee shall not unreasonably withhold their consent to an extension of such time (for a period not to exceed 60 days) if corrective action is instituted by the City within such 30-day period and diligently pursued until the default is corrected.

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

(d) Any statement, representation or warranty made by the City in or pursuant to this Lease Agreement or its execution, delivery or performance shall have been false, incorrect, misleading or breached in any material respect on the date when made.

(e) Any default occurs under any other agreement for borrowing money, lease financing of property or otherwise receiving credit under which the City is an obligor, if such default (i) arises under any other agreement for borrowing money, lease financing of property or provision of credit provided by the Assignee or any affiliate of the Assignee, or (ii) arises under any obligation under which there is outstanding, owing or committed an aggregated amount in excess of \$1,000,000.

(f) Any default by the City to observe any covenant, condition or agreement on its part to be observed or performed under the Lease and Right of Entry Agreement.

Section 8.2. Remedies on Default. Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under this Lease Agreement; provided, however, that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted hereunder; provided, that no termination of this Lease Agreement shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise any one or more of the following remedies:

(a) *Enforcement of Payments Without Termination.* If the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, if the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The City hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to enter upon and re-lease the Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in Contra Costa County for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Property upon demand of the Corporation for the purpose of enabling the Property to be re-let under this paragraph. Any rental obtained by the Corporation in excess of the sum of Lease Payments plus costs and expenses incurred by the Corporation for its services in re-leasing the Property shall be paid to the City.

(b) *Termination of Lease.* If an Event of Default occurs and is continuing hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Property, subject to the Lease and Right of Entry Agreement. If the Corporation terminates this Lease Agreement at its option and in the manner hereinafter provided due to a default by the City (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Payments. Any surplus received by the Corporation from such re-leasing shall be applied by the Corporation to Lease Payments due under this Lease Agreement. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease 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 Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Property, or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(c) *Proceedings at Law or In Equity.* If an Event of Default occurs and continues hereunder, the Corporation may take whatever action at law or in equity may appear necessary or

desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

(d) *Remedies under the Lease and Right of Entry Agreement.* If an Event of Default occurs and continues hereunder, the Corporation may exercise its rights under the Lease and Right of Entry Agreement.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Lease Agreement defaults under any of the provisions hereof and the nondefaulting party should employ attorneys (including in-house legal counsel) or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other expenses so incurred by the nondefaulting party.

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

Section 8.6. Assignee to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article VIII have been assigned by the Corporation to the Assignee, to which assignment the City hereby consents. Such rights and remedies shall be exercised solely by the Assignee.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments in whole or in part by depositing with a fiduciary reasonably satisfactory to the Assignee, in trust, an amount of cash, which shall be held in a segregated trust or escrow fund under a trust or escrow agreement that is in form and content acceptable to the Assignee, which cash so held is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit C, or (b) invested in whole in non-callable Federal Securities maturing not later than the dates such funds will be required to make Lease Payments or any prepayment in an amount which is sufficient, in the opinion of an independent certified public accountant (which opinion must be in form and substance, and with such an accountant, acceptable to the Assignee and addressed and delivered to the Assignee), together with interest to accrue thereon and without reinvestment and together with any cash which is so deposited, to pay such Lease Payments when due under Section 4.3(a) or when due on any optional prepayment date under Section 9.2, as the City instructs at the time of said deposit; *provided, however*, that at or prior to the date on which any such security deposit is established, the City shall deliver to the Assignee an opinion of Bond Counsel (in form and substance acceptable to the Assignee) to the effect that any such security deposit will not adversely affect the excludability of the interest component of Lease Payments from gross income of the owners thereof for federal income tax purposes. In the event of a security deposit under this Section with respect to all unpaid Lease Payments, (i) the Term of this Lease Agreement shall continue, (ii) all obligations of the City under this Lease Agreement, and all security provided by this Lease Agreement for said obligations, shall thereupon cease and terminate, excepting only (A) the obligation of the City to make, or cause to be made, all of the Lease Payments from such security deposit and, to the extent of any deficiency, as rent payable from other legally available funds of the City, and (B) the release and indemnification obligations of the City under subparagraphs (f) and (g) of Section 7.3, and (iii) under Section 4.5, the Corporation's leasehold interest in the Property will vest in the City on the date of said deposit automatically and without further action by the City or the Corporation. The City hereby grants a first priority security interest in and the lien on said security deposit and all proceeds thereof in favor of the Corporation and the Assignee. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement and, notwithstanding anything to the contrary herein, Lease Payments therefrom shall not be subject to abatement under Section 6.3 hereof to the extent payable from the funds held by the fiduciary as described in the first sentence of this Section 9.1.

Section 9.2. Optional Prepayment. The City may prepay the unpaid principal components of the Lease Payments in whole or in part, on any date, by paying a prepayment price equal to the principal components of the Lease Payments to be prepaid, together with accrued interest through such prepayment date, without premium. The City shall give the Assignee notice of its intention to exercise its option not less than 30 days in advance of the date of exercise.

Section 9.3. Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain. The City shall be obligated to prepay the unpaid principal components of the Lease Payments in whole or in part on any date, from and to the extent of any proceeds of insurance award or condemnation award with respect to the Property to be used for such purpose under Section 6.2. The City and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the City's obligations under this Section 9.3.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon actual receipt after deposit in the United States mail in first-class form with postage fully prepaid:

If to the City:	City of Porterville 291 North Main Street Porterville, CA 93257 Attention: City Manager Phone: (209) 782-7466 Fax: (209) 781-6437
If to the Corporation:	Porterville Public Improvement Corporation 291 North Main Street Porterville, CA 93257 Attention: Executive Director Phone: (209) 782-7466 Fax: (209) 781-6437
If to the Assignee:	Rabobank, N.A. 915 Highland Pointe Drive, Suite 350 Roseville, CA 95678 Attention: Mr. Ian Carroll, Senior Vice President Ref: City of Porterville Phone: (916) 878-4655 Fax: (916) 784-1505

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

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

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

Section 10.5. Further Assurances and Corrective Instruments. The Corporation and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.6. Execution in Counterparts. This Lease may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

Section 10.7. Applicable Law. This Lease is governed by and construed in accordance with the laws of the State.

Section 10.8. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

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

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION, as Lessor

By _____
John D. Lollis
Executive Director

Attest:

Patrice Hildreth
Deputy Secretary

CITY OF PORTERVILLE, as Lessee

By _____
John D. Lollis
City Manager

Attest:

Patrice Hildreth
Chief Deputy City Clerk

EXHIBIT A

DESCRIPTION OF THE PROPERTY

Projects	Est. Cost of Existing Curb, Gutter Sidewalk Improvement (1)	Est. Cost of Existing Pavement (2)	Est. Right of Way Cost and Title Type (3)	Total Worth
BRIDGES				
South Plano-Tule River	—	—	—	\$2,500,000
South Main-Tule River	—	—	—	\$2,500,000
South Jaye-Tule River	—	—	—	\$2,500,000
SLOUGH CROSSINGS				
W Henderson-Porter Slough	—	—	—	\$375,000
N. Westwood-Porter Slough	—	—	—	\$375,000
STREETS				
E. Morton	1200'x62.50=\$75,000	6600'x112.50=\$742,500	6600'x7.50=\$49,600	\$887,000
N. Conner-Morton/E. Olive	—	1400'x112.50=\$157,500	2800'x7.50=\$21,000	\$178,600
E. Olive-Putnam/Tulsa	1000'x62.50=\$62,500	7000'x112.50=\$787,500	7000'x7.50=\$52,500	\$902,500
N. Indiana-Olive/Morton	2000'x62.50=\$125,000	2000'x187.50=\$375,000	2000'x7.50=\$15,000	\$515,000
W Henderson-Newcomb/Westwood	6500'x62.50=\$406,250	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$1,066,250
N. Main-Henderson/Linda Vista	1000'x62.50=\$62,500	11,000'x112.50=\$1,237,500	5000'x7.50=\$37,500 plus	\$1,412,500
W Olive-Newcomb/Westwood	4000'x62.50=\$250,000	5500'x187.50=\$1,031,250	6000'x12.50=\$75,000 3000'x7.50=\$22,500 plus 2500'x12.50=\$31,250	\$1,335,000
E. Orange-Piano/S. Main	3000'x62.50=\$187,500	3000'x187.50=\$562,500	3000'x12.50=\$37,500	\$787,500
S. Jaye-Olive/Gibbons	4000'x62.50=\$260,000	4000'x187.50=\$750,000 plus 5500'x112.50=\$618,750	5500'x12.50=\$68,750 plus 4000'x7.50=\$30,000	\$1,717,500
S. Newcomb-Olive/Hwy 190	2000'x62.50=\$125,000	3000'x112.50=\$337,500	1500'x12.50=\$18,750 plus 2500'x7.50=\$18,750	\$500,000
Gibbons-S. Main/Indiana	—	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$680,000
S. Main-Hwy-190/Gibbons	1500'x62.50=\$93,750	4000'x187.50=\$750,000	4000'x12.50=\$50,000	\$893,750
N. Prospect-Morton/Pioneer	6500'x62.50=\$406,250	1500'x187.50=\$281,250 plus 5000'x112.50=\$562,500	1500'x12.50=\$18,750 plus 5000'x7.50=\$37,500	\$1,306,250
E. Date-S. Main/Plano	500'x62.50=\$31,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$331,250
W. Westfield-Hwy. 65/N. Main	3500'x62.50=\$218,750	3500'x112.50=\$393,750	3500'x7.50=\$26,250	\$636,750
N. Newcomb-Mulberry/N. Grand	3500'x62.50=\$218,750	5000'x187.50=\$937,500	5000'x7.50=\$37,500	\$1,193,750
N. Westwood-Henderson/Friant Canal	3000'x31.25=\$83,750	1000'x93.75=\$93,750 plus 3000'x112.50=\$337,500	4000'x7.50=\$30,000	\$555,000
Downtown Parking Lots	4x \$250,000=\$1,000,000			\$1,000,000
S. Indian-Olive/Springville	2000'x62.50=\$125,000	3500'x112.50=\$393,750	1500'x7.50=\$11,250	\$530,000
N. Prospect-Olive/Morton	2500'x62.50=\$156,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$456,250
N. Villa-Olive/Henderson	5000'x62.50=\$312,500	5000'x112.50=\$562,500	4000'x7.50=\$30,000 plus 1000'x12.50=\$12,500	\$917,500
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N. Main-Morton/Henderson	3000'x62.50=\$187,500	3000'x187.50=\$582,500	3000'x12.50=\$37,500	\$787,500
W Grand-"E"/Newcomb	8500'x62.50=\$531,250	8500'x112.50=\$956,250	8500'x7.50=\$63,750	\$1,561,250
N. Piano-Henderson/Reid	1500'x62.50=\$93,750	2000'x187.50=\$375,000 plus 4000'x112.50=\$450,000	6000'x7.50=\$45,000	\$963,500
N. Leggett-Success/Henderson	6000'x62.50=\$375,000	7500'x112.50=\$843,750	7500'x7.50=\$58,250	\$1,275,000
Main-Date/Morton	5000'x187.50=\$937,500	5000'x1000=\$5,000,000	5000'x62.50=\$312,500	\$6,250,000
				<u>\$38,000,600</u>

- (1) Average cost for Curb/Gutter/Sidewalk \$31.25 per linear foot (one side), \$62.50 per linear foot (two sides), excluding bridges.
- (2) Average cost for Arterial Pavement Section \$187.50 per linear foot. Average cost for Major Collector Pavement section \$112.50 per linear foot.
- (3) Right of Way value without improvements. Residential-\$6 per square foot. Commercial-\$20 per square foot (includes both sides of street)

EXHIBIT B

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date	Principal Component	Interest Component (1)	Total Lease Payment (1)
10/1/13	—	\$328,501.48	\$328,501.48
4/1/14	—	347,490.00	347,490.00
10/1/14	—	347,490.00	347,490.00
4/1/15	—	347,490.00	347,490.00
10/1/15	—	347,490.00	347,490.00
4/1/16	—	347,490.00	347,490.00
10/1/16	—	347,490.00	347,490.00
4/1/17	\$235,000.00	347,490.00	582,490.00
10/1/17	340,000.00	343,612.50	683,612.50
4/1/18	345,000.00	338,002.50	683,002.50
10/1/18	380,000.00	332,310.00	712,310.00
4/1/19	390,000.00	326,040.00	716,040.00
10/1/19	415,000.00	319,605.00	734,605.00
4/1/20	420,000.00	312,757.50	732,757.50
10/1/20	455,000.00	305,827.50	760,827.50
4/1/21	460,000.00	298,320.00	758,320.00
10/1/21	495,000.00	290,730.00	785,730.00
4/1/22	500,000.00	282,562.50	782,562.50
10/1/22	535,000.00	274,312.50	809,312.50
4/1/23	545,000.00	265,485.00	810,485.00
10/1/23	580,000.00	256,492.50	836,492.50
4/1/24	585,000.00	246,922.50	831,922.50
10/1/24	620,000.00	237,270.00	857,270.00
4/1/25	630,000.00	227,040.00	857,040.00
10/1/25	665,000.00	216,645.00	881,645.00
4/1/26	680,000.00	205,672.50	885,672.50
10/1/26	740,000.00	194,452.50	934,452.50
4/1/27	750,000.00	182,242.50	932,242.50
10/1/27	775,000.00	169,867.50	944,867.50
4/1/28	785,000.00	157,080.00	942,080.00
10/1/28	810,000.00	144,127.50	954,127.50
4/1/29	825,000.00	130,762.50	955,762.50
10/1/29	835,000.00	117,150.00	952,150.00
4/1/30	850,000.00	103,372.50	953,372.50
10/1/30	865,000.00	89,347.50	954,347.50
4/1/31	880,000.00	75,075.00	955,075.00
10/1/31	895,000.00	60,555.00	955,555.00
4/1/32	910,000.00	45,787.50	955,787.50
10/1/32	925,000.00	30,772.50	955,772.50
4/1/33	940,000.00	15,510.00	955,510.00

(1) Beginning on April 2, 2016, interest is a variable rate based on the U.S. dollar one month LIBOR plus 2.125%, but in no case lower than 3.30%. The interest and total amounts during the variable rate period are shown assuming the minimum rate of 3.30% and are for illustration purposes only. If LIBOR exceeds 1.175%, the actual amounts will be higher.

ASSIGNMENT AGREEMENT

For Value Received, the PORTERVILLE PUBLIC IMPROVEMENT CORPORATION (the "Corporation") without recourse does hereby sell, assign and transfer to RABOBANK, N.A. (the "Assignee"), and its successors and assigns, (i) all of its rights, title and interest (but none of its obligations) in and to the Lease Agreement, dated as of April 1, 2013, by and between the Corporation, as sublessor, and the City of Porterville (the "City"), as sublessee (said Lease Agreement and any supplements, amendments, annexations, extensions or renewals thereof is referred to hereinafter as the "Lease Agreement"), (ii) all of its rights, title and interest (but none of its obligations) in and to the Lease and Right of Entry Agreement, dated as of April 1, 2013, which has been recorded concurrently herewith, by and between the City, as lessor, and the Corporation, as lessee (the "Lease and Right of Entry Agreement"), and (iii) all moneys, sums and amounts now due or hereinafter to become due under the Lease Agreement. The Lease and Right of Entry Agreement and the Lease Agreement delivered to the Assignee are duly executed duplicate originals that comprise the entire writing, obligation and agreement between the Corporation and the City respecting the leases made thereunder and the lease payments made therefore.

The Corporation represents and warrants as follows:

- (1) it has made no prior sale or assignment of any interest covered hereby;
- (2) that the Lease Agreement and Lease and Right of Entry Agreement are genuine and in all respects are what they purport to be; and
- (3) that Assignee is not liable for and does not assume responsibility for the performance of any of the covenants, agreements, duties or obligations specified in the Lease Agreement to be kept, paid or performed by the Corporation, with exception of such covenants, agreements, duties and obligations (if any) which are expressly made the responsibility of Assignee under the Lease Agreement.

The Corporation further represents and warrants that as of the date of this Assignment Agreement, the Lease Agreement and Lease and Right of Entry Agreement are in full force and effect and the City is not in default of any of the terms set forth therein.

By its acceptance of this Assignment Agreement, the Assignee represents and warrants (i) the price it has paid in consideration for assignment of the Lease Agreement is \$21,060,000; and (ii) that it reasonably expects to hold the Lease Agreement for its own account and does not presently expect to sell, assign, or otherwise transfer the Lease Agreement, subject to the Assignee's right to dispose of or otherwise deal with its property (including the Lease Agreement) as it determines to be in its best interests from time to time.

This Assignment Agreement shall be construed and governed in accordance with the laws of the State of California applicable to contracts made and performed in the State of California. Any provision of this Assignment Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Assignment Agreement.

This Assignment Agreement binds and inures to the benefit of the parties and their respective successors and assigns. In the event of litigation between the Corporation and the Assignee arising under this Assignment Agreement, the prevailing party shall be entitled to recover from the other party all costs and expenses, including attorneys' fees which may be those of in-house counsel, incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions of this Assignment Agreement.

This Assignment Agreement shall be construed and governed in accordance with the laws of the State of California. The Corporation and the Assignee irrevocably agree that all actions, proceedings or counterclaims arising out of or relating to this Assignment Agreement will be litigated in the Superior Court of California selected by the Assignee, or the United States District Court for the Eastern District of California. The Corporation and the Assignee each irrevocably consents to service, jurisdiction, and venue of those courts for all such actions, proceedings and counterclaims and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. Final judgment against the Corporation or the Assignee in any such action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certificate or exemplified copy of which shall be conclusive evidence of the judgment or in any other manner provided by law. The Corporation and the Assignee each irrevocably waives to the fullest extent permitted by applicable law (a) any objection which it may have now or in the future to the laying of the venue of any such action, suit or proceeding in any court referred to in the first sentence above; (b) any claim that any such action, suit or proceeding has been brought in an inconvenient forum; (c) its right of removal of any matter commenced by any other party in the courts of the State of California to any court of the United States of America; (d) to the extent permitted by law, any immunity which it or its assets may have in respect of its obligations under this agreement or the purchase agreement from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process; and (e) any right it may have to require the moving party in any suit, action or proceeding brought in any of the courts referred to above arising out of or in connection with this Assignment Agreement to post security for the costs of the district or to post a bond or to take similar action.

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

Dated as of April 1, 2013

PORTERVILLE PUBLIC IMPROVEMENT
CORPORATION, as Lessor

By _____
John D. Lollis
Executive Director

Attest:

Patrice Hildreth
Deputy Secretary

ACCEPTANCE OF ASSIGNMENT:

RABOBANK, N.A., as Assignee

By _____
Ian Carroll
Senior Vice President

EXHIBIT A

DESCRIPTION OF THE PROPERTY

Projects	Est. Cost of Existing Curb, Gutter Sidewalk Improvement (1)	Est. Cost of Existing Pavement (2)	Est. Right of Way Cost and Title Type (3)	Total Worth
BRIDGES				
South Plano-Tule River	—	—	—	\$2,500,000
South Main-Tule River	—	—	—	\$2,500,000
South Jaye-Tule River	—	—	—	\$2,500,000
SLOUGH CROSSINGS				
W Henderson-Porter Slough	—	—	—	\$375,000
N. Westwood-Porter Slough	—	—	—	\$375,000
STREETS				
E. Morton	1200'x62.50=\$75,000	6600'x112.50=\$742,500	6600'x7.50=\$49,600	\$887,000
N. Conner-Morton/E. Olive	—	1400'x112.50=\$157,500	2800'x7.50=\$21,000	\$178,600
E. Olive-Putnam/Tulsa	1000'x62.50=\$62,500	7000'x112.50=\$787,500	7000'x7.50=\$52,500	\$902,500
N. Indiana-Olive/Morton	2000'x62.50=\$125,000	2000'x187.50=\$375,000	2000'x7.50=\$15,000	\$515,000
W Henderson-Newcomb/ Westwood	6500'x62.50=\$406,250	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$1,066,250
N. Main-Henderson/Linda Vista	1000'x62.50=\$62,500	11,000'x112.50=\$1,237,500	5000'x7.50=\$37,500 plus	\$1,412,500
W Olive-Newcomb/Westwood	4000'x62.50=\$250,000	5500'x187.50=\$1,031,250	6000'x12.50=\$75,000 3000'x7.50=\$22,500 plus 2500'x12.50=\$31,250	\$1,335,000
E. Orange-Piano/S. Main	3000'x62.50=\$187,500	3000'x187.50=\$562,500	3000'x12.50=\$37,500	\$787,500
S. Jaye-Olive/Gibbons	4000'x62.50=\$260,000	4000'x187.50=\$750,000 plus 5500'x112.50=\$618,750	5500'x12.50=\$68,750 plus 4000'x7.50=\$30,000	\$1,717,500
S. Newcomb-Olive/Hwy 190	2000'x62.50=\$125,000	3000'x112.50=\$337,500	1500'x12.50=\$18,750 plus 2500'x7.50=\$18,750	\$500,000
Gibbons-S. Main/Indiana	—	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$680,000
S. Main-Hwy-190/Gibbons	1500'x62.50=\$93,750	4000'x187.50=\$750,000	4000'x12.50=\$50,000	\$893,750
N. Prospect-Morton/Pioneer	6500'x62.50=\$406,250	1500'x187.50=\$281,250 plus 5000'x112.50=\$562,500	1500'x12.50=\$18,750 plus 5000'x7.50=\$37,500	\$1,306,250
E. Date-S. Main/Plano	500'x62.50=\$31,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$331,250
W. Westfield-Hwy. 65/N. Main	3500'x62.50=\$218,750	3500'x112.50=\$393,750	3500'x7.50=\$26,250	\$636,750
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N. Westwood- Henderson/Friant Canal	3000'x31.25=\$83,750	1000'x93.75=\$93,750 plus 3000'x112.50=\$337,500	4000'x7.50=\$30,000	\$555,000
Downtown Parking Lots	4x \$250,000=\$1,000,000			\$1,000,000
S. Indian-Olive/Springville	2000'x62.50=\$125,000	3500'x112.50=\$393,750	1500'x7.50=\$11,250	\$530,000
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				<u>\$38,000,600</u>

- (1) Average cost for Curb/Gutter/Sidewalk \$31.25 per linear foot (one side), \$62.50 per linear foot (two sides), excluding bridges.
- (2) Average cost for Arterial Pavement Section \$187.50 per linear foot. Average cost for Major Collector Pavement section \$112.50 per linear foot.
- (3) Right of Way value without improvements. Residential-\$6 per square foot. Commercial-\$20 per square foot (includes both sides of street)

LETTER AGREEMENT FOR PURCHASE

April 3, 2013

City of Porterville
291 North Main Street
Porterville, California 93257
Attention: City Manager

Re: \$21,060,000 Lease Agreement, dated as of April 1, 2013, by and between the Porterville Public Improvement Corporation and the City of Porterville, assigned to Rabobank, N.A.

Ladies and Gentlemen:

The undersigned, Rabobank, N.A. ("Rabobank"), offers, upon the following terms, to acquire (i) the rights, title and interest (but none of the obligations) of the Porterville Public Improvement Corporation (the "Corporation") under the Lease Agreement (hereinafter defined), including its rights to the Lease Payments to be made by the City of Porterville (the "City") under the Lease Agreement dated as of April 1, 2013 (the "Lease Agreement"), by and between the City and the Corporation, by entering into an Assignment Agreement, dated as of April 1, 2013 (the "Assignment Agreement"), with the Corporation, and (ii) the rights, title and interest (but none of the obligations) of the Corporation under the Lease and Right of Entry Agreement, dated as of April 1, 2013 (the "Lease and Right of Entry Agreement"), by and between the City and the Corporation. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease Agreement.

1. *Purchase and Purchase Price; Terms of District's Obligations.* The City agrees to execute and deliver the Lease and Right of Entry Agreement and the Lease Agreement, and Rabobank agrees to purchase the assignment made under the Assignment Agreement at a purchase price of \$21,060,000. The Lease Payments under the Lease Agreement and the interest rate applicable thereto shall be as shown in Exhibit A hereto.

2. *Use of Funds.* The purchase price paid by Rabobank shall be used by the City to (i) prepay the 2005 Lease Agreement and thereby refund and defease the 2005 Certificates, (ii) fund a portion of the Reserve Fund, and (iii) pay the costs related to the preparation, execution and delivery of the Lease Agreement, the Lease and Right of Entry Agreement, the Assignment Agreement and documents related to the refunding and defeasance of the 2005 Certificates.

3. *Disposition of Proceeds.* Upon the Closing Date, as defined below, purchase price paid by Rabobank shall be transferred as follows:

(a) Rabobank shall retain the amount of \$85,000.00 for its origination fee.

(b) Rabobank shall deposit in the Reserve Fund, maintained by Rabobank on behalf of the City, for the benefit of Rabobank, the sum of \$550,000.00.

(c) Rabobank shall transfer, via wire transfer, to U.S. Bank National Association, as trustee for the 2005 Certificates and as escrow bank, the amount of \$19,859,514.80 to be applied

to the prepayment of the 2005 Lease Agreement and the refunding and defeasance of the 2005 Certificates. Wire instructions to be provided prior to the Closing Date.

(d) Rabobank shall transfer, via wire transfer, the following amounts to the following entities, in respect of the payment of the costs of the financing transaction:

(i) to Wulff, Hansen & Co., \$_____ (invoice with wire information to be provided prior to the Closing Date);

(ii) to Ravi Chitkara, \$_____ (invoice with wire information to be provided prior to the Closing Date);

(iii) to Fullbright & Jaworski, LLP, \$25,000.00 (invoice with wire information to be provided prior to the Closing Date);

(iv) to Quint & Thimmig LLP, \$70,000.00 (invoice with wire information to be provided prior to the Closing Date);

(v) to Grant Thornton LLP, \$_____ (invoice with wire information to be provided prior to the Closing Date); and

(vi) to U.S. Bank National Association, \$_____ (invoice with wire information to be provided prior to the Closing Date).

(e) Rabobank shall transfer to the City, \$_____, to be applied to the City's costs of the transaction, including the payment of the CDIAC fee, and applied to make the first scheduled Lease Payment. Wire instructions to be provided prior to the Closing Date.

4. *Closing.* At 8:00 a.m. California Time, on April 11, 2013, or at such other time or on such earlier or later date as Rabobank and the City mutually agree upon (the "Closing Date"), the City will deliver (or cause to be delivered) the Lease and Right of Entry Agreement and the Lease Agreement executed by the City and the Corporation, and the Assignment Agreement executed by the Corporation and Rabobank, and Rabobank will pay the purchase price for the City's obligations as set forth in Section 1 hereof in federal or other immediately available funds.

5. *Representations and Warranties of the City.* The City represents and warrants to Rabobank that all representations and warranties of the City set forth in the Lease and Right of Entry Agreement and the Lease Agreement are true and correct on the date hereof and are made for the benefit of Rabobank as if set forth herein.

6. *Conditions Precedent to the Closing.* Other conditions precedent to the Closing are:

(a) The delivery by the City of a certified copy of (i) the resolution of the City Council of the City authorizing the execution and delivery by the City of the Lease and Right of Entry Agreement and the Lease Agreement, together with an incumbency certificate of the City, and (ii) the resolution of the Board of Directors of the Corporation authorizing the execution and delivery by the Corporation of the Lease and Right of Entry Agreement, the Lease Agreement and the Assignment Agreement, together with an incumbency certificate of the Corporation;

(b) The delivery by the City and the Corporation of the fully executed Lease and Right of Entry Agreement, Lease Agreement, the Escrow Agreement and Assignment Agreement in form and substance acceptable to Rabobank;

(c) The execution and delivery by the City of an Internal Revenue Service Form 8038-G in a form acceptable to Bond Counsel and Rabobank;

(d) Delivery of a legal opinion addressed to the City and Rabobank, dated the Closing Date, of Quint & Thimmig LLP, as Special Counsel, with respect to (i) the validity and enforceability of the Lease Agreement, the Lease and Right of Entry Agreement, and the Assignment Agreement by and against the City and the Corporation (as applicable), and (ii) the tax-exempt status of the interest component of the Lease Payments, in form and substance acceptable to Rabobank;

(e) Delivery of a legal opinion addressed to the City and Rabobank, dated the Closing Date, of Quint & Thimmig LLP, with respect to the defeasance of the 2005 Certificates;

(f) The delivery of a certificate dated the Closing Date and signed by the City Manager or such other officer of the City as the City Council of the City may approve, to the effect that:

(i) to the best knowledge of the City, there are no actions or proceedings against the City pending or threatened that adversely affect the City's ability to pay the Lease Payments or to perform its obligations under the Lease and Right of Entry Agreement and Lease Agreement;

(ii) the representations and warranties of the City contained in this agreement, the Lease and Right of Entry Agreement and the Lease Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and

(iii) the City acknowledges receipt from Rabobank of the purchase price for the City's obligations under the Lease Agreement, including the Lease Payments;

(g) The delivery by Rabobank of an investor letter in form and substance as attached hereto as Exhibit B; and

(h) such other documents as may be reasonably requested by Rabobank.

7. *Events Permitting Rabobank to Terminate.* Rabobank may terminate its obligation to purchase the City's obligations under the Lease Agreement before the Closing Date if any of the following occurs:

(a) any legislative, executive or regulatory action (including the introduction of legislation) or any court decision that, in the judgment of Rabobank, casts sufficient doubt on the legality of or the tax-exempt status of the interest component of obligations such as those represented by the Lease Agreement and the Lease Payments so as to materially impair the marketability or to materially reduce the market price of such obligations;

(b) any action by the Securities and Exchange Commission or a court that would require registration of the Lease Agreement under the Securities Act of 1933, as amended; or

(c) any event occurs or becomes known that has a material adverse effect on the financial condition of the City or on the ability of the City or the Corporation to perform under the Lease and Right of Entry Agreement, the Lease Agreement or the Assignment Agreement.

8. *Governing Law; Jurisdiction and Venue.* This Agreement shall be construed and governed in accordance with the laws of the State of California. The Corporation and the City irrevocably agree that all actions, proceedings or counterclaims arising out of or relating to this

Agreement, the Assignment Agreement, the Lease Agreement, the Lease and Right of Entry Agreement, and any document or certificate delivered in connection therewith or contemplated thereby (collectively, the "Legal Documents") will be litigated in the Superior Court of California selected by the Assignee, or the United States District Court for the Eastern District of California. The Corporation and the City each irrevocably consents to service, jurisdiction, and venue of those courts for all such actions, proceedings and counterclaims and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. Final judgment against the Corporation or the City in any such action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certificate or exemplified copy of which shall be conclusive evidence of the judgment or in any other manner provided by law. The Corporation and the City each irrevocably waives to the fullest extent permitted by applicable law (a) any objection which it may have now or in the future to the laying of the venue of any such action, suit or proceeding in any court referred to in the first sentence above; (b) any claim that any such action, suit or proceeding has been brought in an inconvenient forum; (c) its right of removal of any matter commenced by any other party in the courts of the State of California to any court of the United States of America; (d) to the extent permitted by law, any immunity which it or its assets may have in respect of its obligations under this agreement or the purchase agreement from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process; and (e) any right it may have to require the moving party in any suit, action or proceeding brought in any of the courts referred to above arising out of or in connection with the Legal Documents to post security for the costs of the district or to post a bond or to take similar action.

9. *Indemnification.* The City shall, to the extent permitted by law, defend, indemnify and hold the Assignee and its officers, directors, employees, partners, agents, attorneys and affiliates (the "Indemnified Persons") harmless against any and all losses of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against any Indemnified Person arising out of, in any way connected with or as a result of any claim, litigation, investigation or proceeding asserted against any Indemnified Person as a result of: (i) the execution or delivery of Legal Documents or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby; (ii) the use of the proceeds from the purchase price; (iii) such indemnified person's acts or omissions which result from communications given or purported to be given, by the district or any designated person, which are interrupted, which are misunderstood, or which are in fact from unauthorized persons; (iii) the violation by the Corporation or the City of any applicable law, including any environmental law; (iv) the reliance by the Assignee on each notice purportedly given by or on behalf of the Corporation or the City; (v) any breach by the Corporation or the City of any of its representations, warranties, covenants or agreements hereunder or under the Legal Documents, including any default or event of default; or (viii) any claim, litigation, investigation or proceeding related to any of the foregoing, whether or not any Indemnified Person is a party thereto, or asserted against any Indemnified Person as a result of Assignee being party to this Agreement, or the transactions consummated pursuant to Legal Documents; except that the Corporation and the City shall have no obligation to an Indemnified Person under this Section with respect to losses resulting from the gross negligence or willful misconduct of that Indemnified Person as determined by the final judgment of a court of competent jurisdiction. If and to the extent that any indemnity under this Agreement in favor of Indemnified Person is unenforceable for any reason, the Corporation or the City shall make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law. All indemnities hereunder in favor of an Indemnified Person shall survive the termination of this Agreement and the final term of the Legal Documents.

10. *Waiver of Trial by Jury.* To the fullest extent permitted by law, the parties hereto (a) covenant and agree not to elect a trial by jury in any action or proceeding for the resolution of

any controversy or claim that arises out of or relates to: (i) this Agreement or the Legal Documents; or (ii) any other agreement relating to this Agreement or the Legal Documents or the security therefor, whether arising in contract, tort or by statute (individually and collectively, a "controversy or claim"); and, (b) to the extent permitted by applicable law, hereby irrevocably waive all right to a trial by jury as to any issue relating hereto in any action, proceeding or counterclaim arising out of or relating to any transaction document to the extent such right exists now or in the future. The provisions of this Section are separately given by each party hereto knowingly and voluntarily; and are a material inducement for the Assignee entering into this Agreement and the Assignment Agreement.

11. *Optically Imaged Reproductions.* The Assignee may make an optically imaged reproduction of this Agreement and the other Legal Documents and, at its election, destroy the original or originals. The Corporation and the City each consent to the destruction of the original or originals and agrees that a copy of the optically imaged reproduction of any of the Legal Documents will be the equivalent of and for all purposes constitute an "original" document. For purposes of this section, "for all purposes" includes use of the optically imaged reproduction (a) to prove the content of the original document at trial, mediation, arbitration or administrative hearing; (b) for any business purpose; (c) for internal or external audits and/or examination by or on behalf of Governmental Authorities; (d) in canceling or transferring any document; and (e) in conjunction with any other transaction evidenced by the original document. "Governmental Authorities" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

12. *USA Patriot Act Notice.* Federal law requires all financial institutions to obtain, verify and record information that identifies each person who obtains a loan. The Assignee will ask for the Corporation's and/or the City's legal name, address, tax ID number or social security number and other identifying information. The Assignee may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the parties, any guarantors or other related persons.

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

RABOBANK, N.A., as Purchaser

By _____
Ian Carroll
Senior Vice President

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

CITY OF PORTERVILLE

By _____
John D. Lollis
City Manager

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION

By _____
John D. Lollis
Executive Director

EXHIBIT A

Lease Payment Date	Principal Component	Interest Component (1)	Total Lease Payment (1)
10/1/13	—	\$328,501.48	\$328,501.48
4/1/14	—	347,490.00	347,490.00
10/1/14	—	347,490.00	347,490.00
4/1/15	—	347,490.00	347,490.00
10/1/15	—	347,490.00	347,490.00
4/1/16	—	347,490.00	347,490.00
10/1/16	—	347,490.00	347,490.00
4/1/17	\$235,000.00	347,490.00	582,490.00
10/1/17	340,000.00	343,612.50	683,612.50
4/1/18	345,000.00	338,002.50	683,002.50
10/1/18	380,000.00	332,310.00	712,310.00
4/1/19	390,000.00	326,040.00	716,040.00
10/1/19	415,000.00	319,605.00	734,605.00
4/1/20	420,000.00	312,757.50	732,757.50
10/1/20	455,000.00	305,827.50	760,827.50
4/1/21	460,000.00	298,320.00	758,320.00
10/1/21	495,000.00	290,730.00	785,730.00
4/1/22	500,000.00	282,562.50	782,562.50
10/1/22	535,000.00	274,312.50	809,312.50
4/1/23	545,000.00	265,485.00	810,485.00
10/1/23	580,000.00	256,492.50	836,492.50
4/1/24	585,000.00	246,922.50	831,922.50
10/1/24	620,000.00	237,270.00	857,270.00
4/1/25	630,000.00	227,040.00	857,040.00
10/1/25	665,000.00	216,645.00	881,645.00
4/1/26	680,000.00	205,672.50	885,672.50
10/1/26	740,000.00	194,452.50	934,452.50
4/1/27	750,000.00	182,242.50	932,242.50
10/1/27	775,000.00	169,867.50	944,867.50
4/1/28	785,000.00	157,080.00	942,080.00
10/1/28	810,000.00	144,127.50	954,127.50
4/1/29	825,000.00	130,762.50	955,762.50
10/1/29	835,000.00	117,150.00	952,150.00
4/1/30	850,000.00	103,372.50	953,372.50
10/1/30	865,000.00	89,347.50	954,347.50
4/1/31	880,000.00	75,075.00	955,075.00
10/1/31	895,000.00	60,555.00	955,555.00
4/1/32	910,000.00	45,787.50	955,787.50
10/1/32	925,000.00	30,772.50	955,772.50
4/1/33	940,000.00	15,510.00	955,510.00

(1) Beginning on April 2, 2016, interest is a variable rate based on the U.S. dollar one month LIBOR plus 2.125%, but in no case lower than 3.30%. The interest and total amounts during the variable rate period are shown assuming the minimum rate of 3.30% and are for illustration purposes only. If LIBOR exceeds 1.175%, the actual amounts will be higher.

The Lease Agreement is prepayable in whole on any date without premium.

EXHIBIT B

FORM OF INVESTOR LETTER

City of Porterville
291 North Main Street
Porterville, California 93257

Porterville Public Improvement Corporation
291 North Main Street
Porterville, California 93257

Re: \$21,060,000 Lease Agreement, dated as of April 1, 2013, by and between the Porterville Public Improvement Corporation and the City of Porterville, assigned to Rabobank, N.A.

Ladies and Gentlemen:

The undersigned, Rabobank, N.A. ("Rabobank"), has agreed to acquire (i) the rights, title and interest of the Porterville Public Improvement Corporation (the "Corporation") under the Lease Agreement, dated as of April 1, 2013 (the "Lease Agreement"), by and between the City of Porterville (the "City") and the Corporation, including its rights to the lease payments to be made by the City under the Lease Agreement. In connection with such purchase, Rabobank hereby agrees and certifies to the Corporation and the City that:

(a) Rabobank has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other obligations of a nature similar to the Lease Agreement to be able to evaluate the risks and merits of the investment represented by the purchase of the rights, title and interest of the Corporation under the Lease Agreement.

(b) Rabobank is acquiring the rights, title and interest of the Corporation under the Lease Agreement for its own account and not with a view to, or for sale in connection with, any distribution thereof or any part thereof. Rabobank has not offered to sell, solicited offers to buy, or agreed to sell the rights, title and interest of the Corporation under the Lease Agreement or any part thereof, and Rabobank has no current intention of reselling or otherwise disposing of the rights, title and interest of the Corporation under the Lease Agreement *provided, however*, such representation shall not preclude Rabobank from transferring or selling of the rights, title and interest of the Corporation under the Lease Agreement assigned to Rabobank in accordance with the Lease Agreement. Rabobank is not acting in a broker-dealer capacity in connection with its purchase of the rights, title and interest of the Corporation under the Lease Agreement.

(c) As a sophisticated investor, Rabobank has made its own credit inquiry and analysis with respect to the City and the Lease Agreement and has made an independent credit decision based upon such inquiry and analysis and in reliance on the truth, accuracy, and completeness of the representations and warranties of the City set forth in the Lease Agreement and in the information set forth in any materials submitted to Rabobank by the City. Rabobank acknowledges that it has reviewed information, including financial statements and other financial information, regarding the City and that Rabobank has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the City and the Lease Agreement. Rabobank is able and willing to bear the economic risk of the purchase and ownership of the rights, title and interest of the Corporation under the Lease Agreement.

(d) Rabobank understands that the Lease Agreement has not been registered under the United States Securities Act of 1933 or under any state securities laws. Rabobank agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Lease Agreement by it, and further acknowledges that any current exemption from registration of the Lease Agreement does not affect or diminish such requirements.

(e) Rabobank has Corporation to purchase the rights, title and interest of the Corporation under the Lease Agreement and to execute any instruments and documents required to be executed by Rabobank in connection with the purchase of the rights, title and interest of the Corporation under the Lease Agreement. The undersigned is a duly appointed, qualified, and acting officer of Rabobank and is authorized to cause Rabobank to make the representations and warranties contained herein on behalf of Rabobank.

(f) Rabobank has been informed that the Lease Agreement (i) has not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) Rabobank acknowledges that rights, title and interest of the Corporation under the Lease Agreement are transferable with certain requirements, as described in the Lease Agreement.

(h) Rabobank has been informed that the Lease Agreement is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the City has not undertaken to provide any continuing disclosure with respect to the Lease Agreement.

RABOBANK, N.A.

By _____
Ian Carroll
Senior Vice President

ESCROW DEPOSIT AND TRUST AGREEMENT

by and between the

CITY OF PORTERVILLE

and

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent

Dated April 11, 2013

Advance refunding the
City of Porterville
Certificates of Participation
(2005 Infrastructure Financing Project)

ESCROW DEPOSIT AND TRUST AGREEMENT

This Escrow Deposit and Trust Agreement (this "Escrow Deposit and Trust Agreement"), dated April 11, 2013, is by and between the CITY OF PORTERVILLE, a municipal corporation and chartered city organized and existing pursuant to the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the "Escrow Agent").

WITNESSETH:

WHEREAS, the City has heretofore caused the execution and delivery of its \$20,850,000 Certificates of Participation (2005 Infrastructure Financing Project) (the "2005 Certificates") evidencing and representing the fractional undivided interests of the owners thereof in lease payments (the "2005 Lease Payments") to be made by the City as the rental for certain property pursuant to a lease agreement, dated as of December 1, 2005 (the "2005 Lease Agreement"), with the Porterville Public Financing Authority (the "Authority") to finance and refinance various public infrastructure improvements on real property within and without the boundaries of the City, including the refunding of certain outstanding obligations of the City, currently outstanding in the principal amount of \$17,865,000;

WHEREAS, the 2005 Certificates were executed and delivered pursuant to the terms of a trust agreement, dated as December 1, 2005 (the "2005 Trust Agreement"), by and among the City, the Authority and U.S. Bank National Association, as trustee thereunder (the "2005 Trustee");

WHEREAS, in order to provide for the repayment of the 2005 Certificates, the Corporation leased certain property to the City pursuant to the 2005 Lease Agreement under which the City agreed to make the 2005 Lease Payments in sufficient amounts in each year to pay the full amount of principal and interest with respect to the 2005 Certificates;

WHEREAS, the City has determined that, as a result of favorable financial market conditions and for other reasons, it is in the best interests of the City at this time to refinance the City's obligation to make the 2005 Lease Payments under the 2005 Lease Agreement and, as a result thereof, to provide for the early defeasance of the 2005 Certificates and, to that end, the City proposes to lease certain real property and improvements (the "Property") to the Porterville Public Improvement Corporation (the "Corporation") and to lease-back the Property from the Authority pursuant to that certain Lease Agreement, dated as of April 1, 2012 (the "Lease Agreement");

WHEREAS, the City proposes to make the deposit of moneys and to appoint the Escrow Bank for the purpose of applying said deposit to provide for the payment and prepayment of the 2005 Lease Payments in accordance with the instructions provided by this Escrow Deposit and Trust Agreement and of applying said 2005 Lease Payments to the payment and redemption of the 2005 Certificates in accordance with the 2005 Trust Agreement and the Escrow Bank desires to accept said appointment;

WHEREAS, to obtain moneys to make such deposit, the Authority proposes to assign and transfer certain of its rights under the Lease Agreement to Rabobank, N.A. (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of April 1, 2013, by

and between the Corporation and the Assignee (the "Assignment Agreement"), whereby the Assignee will make a payment of \$21,060,000 to or to the order of the City;

WHEREAS, the City wishes to make such a deposit with the Escrow Bank and to enter into this Escrow Deposit and Trust Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Bank has full powers to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Deposit and Trust Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto do hereby agree as follows:

Section 1. Discharge of 2005 Certificates. The City hereby irrevocably elects to pay and discharge all indebtedness payable by the City under the 2005 Trust Agreement and the 2005 Lease Agreement.

Section 2. Appointment of Escrow Bank. The City hereby appoints the Escrow Bank as escrow bank for all purposes of this Escrow Deposit and Trust Agreement and in accordance with the terms and provisions of this Escrow Deposit and Trust Agreement, and the Escrow Bank hereby accepts such appointment.

Section 3. Establishment of Escrow Fund. There is hereby created by the City with, and to be held by, the Escrow Bank, as security for the payment of the 2005 Lease Payments as hereinafter set forth, an irrevocable escrow to be maintained in trust by the Escrow Bank on behalf of the City and for the benefit of the owners of the 2005 Certificates, said escrow to be designated the "Escrow Fund." All moneys deposited in the Escrow Fund shall be held as a special fund for the payment of the principal and interest with respect to the 2005 Certificates in accordance with the provisions of the 2005 Trust Agreement. If at any time the Escrow Bank shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required by Section 3 hereof, the Escrow Bank shall notify the City of such fact and the City shall immediately cure such deficiency. The Escrow Bank shall have no liability for such deficiency.

Section 4. Deposit into Escrow Fund.

(a) The City shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$19,859,514.80 in immediately available funds, derived from amounts paid by the Assignee pursuant to the Assignment Agreement.

(b) The Escrow Agent shall invest \$_____ of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the U.S. Treasury Securities—State and Local Government Series set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities") and shall hold the remaining \$_____ in cash, uninvested. The Escrowed Federal Securities shall be deposited with and held by the Escrow Agent in the Escrow Fund solely for the uses and purposes set forth herein.

(c) The Escrow Agent may rely upon the conclusion of Grant Thornton LLP, as contained in its opinion and accompanying schedules (the "Report") dated April 11, 2013, that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay the interest on the principal and interest due with respect to the 2005 Certificates to and including

July 1, 2015, and to redeem the outstanding 2005 Certificates in full on July 1, 2015 at 100% of the principal amount thereof, without premium.

(d) The Escrow Agent shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Escrow Deposit and Trust Agreement.

(e) Any money left on deposit in the Escrow Fund after payment in full of the 2005 Certificates, and the payment of all amounts due to the Escrow Agent hereunder, shall be paid to the City.

Section 3. Instructions as to Application of Deposit. The moneys deposited in the Escrow Fund pursuant to Section 2 shall be applied by the Escrow Agent for the sole purpose of paying the principal and interest due with respect to the 2005 Certificates to and including July 1, 2015, and to redeem the outstanding 2005 Certificates in full on July 1, 2015 at 100% of the principal amount thereof, without premium, as set forth in Exhibit B attached hereto and by this reference incorporated herein.

The Escrow Agent, in its capacity as 2005 Trustee, is hereby requested, and the Escrow Agent, as 2005 Trustee, hereby agrees to give notice of the defeasance of the 2005 Certificates in the form of defeasance notice attached hereto as Exhibit C.

The Escrow Agent, in its capacity as 2005 Trustee is hereby requested, and the Escrow Agent, as 2005 Trustee, hereby agrees to give timely notice for redemption of the 2005 Certificates on the July 1, 2015, at least thirty (30) days prior to such date in accordance with the applicable provisions of the 2005 Trust Agreement and the form of redemption notice attached hereto as Exhibit D.

Section 4. Investment of Any Remaining Moneys. The Escrow Agent shall invest and reinvest the proceeds received from any of the Escrowed Federal Securities, and the cash originally deposited into the Escrow Fund, for a period ending not later than the next succeeding interest payment date relating to the 2005 Certificates, in Federal Securities pursuant to written directions of the City; *provided, however,* that (a) such written directions of the City shall be accompanied by (i) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund, together with the Federal Securities then on deposit in the Escrow Fund, together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 3 hereof, and (ii) an opinion of nationally recognized bond counsel ("Bond Counsel") that investment in accordance with such directions will not affect, for Federal income tax purposes, the exclusion from gross income of interest due with respect to the 2005 Certificates, and (b) if the City directs such investment or reinvestment to be made in United States Treasury Securities—State and Local Government Series, the City shall, at its cost, cause to be prepared all necessary subscription forms therefor in sufficient time to enable the Escrow Agent to acquire such securities. In the event that the City shall fail to file any such written directions with the Escrow Agent concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Agent. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 4 and not required for the purposes set forth in Section 3, as indicated by such verification, shall, promptly upon the receipt of such interest income by the Escrow Agent, be paid to the City.

Section 5. Substitution or Withdrawal of Federal Securities. The City may, at any time, direct the Escrow Agent in writing to substitute Federal Securities for any or all of the

Escrowed Federal Securities then deposited in the Escrow Fund, or to withdraw and transfer to the City any portion of the Federal Securities then deposited in the Escrow Fund, provided that any such direction and substitution or withdrawal shall be simultaneous and shall be accompanied by (a) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal, the Federal Securities to be remaining in the Escrow Fund following such withdrawal together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 3 hereof; and (b) an opinion of Bond Counsel that the substitution or withdrawal will not affect, for Federal income tax purposes, the exclusion from gross income of interest on the 2005 Certificates. In the event that, following any such substitution of Federal Securities pursuant to this Section 5, there is an amount of moneys or Federal Securities in excess of an amount sufficient to make the payments required by Section 3 hereof, as indicated by such verification, such excess shall be paid to the City.

Section 6. Escrow Agent.

(a) The Escrow Agent shall look solely to the City for compensation for its duties under this Escrow Deposit and Trust Agreement and shall have no right whatsoever against the Escrow Fund for fees, compensation, costs or expenses. The City shall also reimburse the Escrow Agent for out-of-pocket costs such as cost of giving notice of redemption of the 2005 Certificates, legal fees and other costs and expenses relating hereto, but under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

(b) The City agrees to indemnify the Escrow Agent, its agents and its officers, directors and employees for, and hold the Escrow Agent, its agents and its officers, directors and employees harmless from and against, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind (including without limitation, reasonable fees and disbursements of counsel or accountants for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent or such other party at any time by reason of, or in connection with, the performance of its duties as Escrow Agent hereunder, unless due to the negligence or willful misconduct of any indemnified party. Such indemnity shall survive the termination or discharge of this Escrow Deposit and Trust Agreement and the earlier removal or resignation of the Escrow Agent.

(c) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. The Escrow Agent shall have no duty or responsibility under this Escrow Deposit and Trust Agreement in the case of any default by the City in the performance of the covenants or agreements contained in the 2005 Trust Agreement.

(d) The Escrow Agent may consult with counsel of its own choice (which may be counsel for the City) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

(e) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein, or in the 2005 Trust Agreement.

(f) The Escrow Agent may engage or be interested in any financial or other transaction with the City.

(g) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal or interest with respect to the 2005 Certificates.

(h) The Escrow Agent shall not be liable for any action or omission of the City under this Escrow Deposit and Trust Agreement, under the 2005 Trust Agreement.

(i) Whenever in the administration of this Escrow Deposit and Trust Agreement, the Escrow Agent 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, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of the City and shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Escrow Deposit and Trust Agreement upon the faith thereof.

(j) The Escrow Agent may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Escrow Deposit and Trust Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in accordance with this Escrow Deposit and Trust Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(k) The Escrow Agent may at any time resign by giving written notice to the City of such resignation. The City shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the City does not appoint a successor, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice or resignation of an Escrow Agent, the City may appoint a temporary Escrow Agent until the City appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the City shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

(l) The Escrow Agent shall perform such duties and only such duties as are specifically set forth in this Escrow Deposit and Trust Agreement, and no implied actions, covenants or obligations shall be read into this Escrow Deposit and Trust Agreement against the Escrow Agent.

(m) None of the provisions of this Escrow Deposit and Trust Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Escrow Deposit and Trust Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(n) Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under this Escrow Deposit and Trust Agreement, shall be the successor to such Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

(o) The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

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

Section 7. No Rights to Others. Nothing in this Escrow Deposit and Trust Agreement expressed or implied is intended or shall be construed to give to any person other than the City, the Escrow Agent and the owners of the 2005 Certificates any legal or equitable right, remedy or claim under or in respect to this Escrow Deposit and Trust Agreement or any covenants, conditions or provisions herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Escrow Agent and the owners of the 2005 Certificates.

Section 8. Notices. All notices, requests, demands and other communications under this Escrow Deposit and Trust Agreement by any person shall be in writing (unless otherwise specified herein) and shall be sufficiently given on the date of service if served personally upon the person to whom notice is to be given or on receipt if sent by telex or other telecommunication facility or courier or if mailed by registered or certified mail, postage prepaid, and properly addressed as follows:

(a) if to the City, to City of Porterville, 291 North Main Street, Porterville, CA 93257,
and

(b) if to the Escrow Agent, to U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, CA 90071 Attention: Global Corporate Trust Services.

Section 9. Amendment. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the 2005 Certificates then outstanding shall have been filed with the Escrow Agent. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the County, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, and (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the 2005 Certificates, and that such amendment will not cause interest on the 2005 Certificates to become subject to federal income taxation.

Section 10. Governing Law. This Escrow Deposit and Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 11. Severability. In case any one or more of the provisions contained in this Escrow Deposit and Trust Agreement 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 provisions of this Escrow Deposit and Trust Agreement, but this Escrow Deposit and Trust Agreement shall be construed as if such invalid or illegal or unenforceable provisions had never been contained herein.

Section 12. Counterparts. This Escrow Deposit and Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and such counterparts, or as many of them as the City and the Escrow Agent shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 13. Business Days. Whenever any act is required by this Escrow Deposit and Trust Agreement to be done on a specified day or date, and such day or date shall be a day other than a business day for the Escrow Agent, then such act may be done on the next succeeding business day.

IN WITNESS WHEREOF the parties hereto have caused this Escrow Deposit and Trust Agreement to be executed in their respective names by their respective duly authorized officers, all as of the day and year first above written.

CITY OF PORTERVILLE

By _____
John D. Lollis
City Manager

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By _____
Ilse Vlach
Assistant Vice President

EXHIBIT A

SCHEDULE OF ESCROWED FEDERAL SECURITIES

<u>Type</u>	<u>Maturity</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Cost</u>	<u>Accrued</u>	<u>Total</u>
SLGS	07/01/13							
SLGS	01/01/14							
SLGS	07/01/14							
SLGS	01/01/15							
SLGS	07/01/15							
						_____	_____	_____
						_____	_____	_____

EXHIBIT B

PAYMENT AND REDEMPTION SCHEDULE

<u>Date</u>	<u>Maturing Principal</u>	<u>Called Principal</u>	<u>Interest</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
07/01/13	\$425,000	—	\$432,046.88	—	\$ 857,046.88
01/01/14	—	—	423,812.50	—	423,812.50
07/01/14	440,000	—	423,812.50	—	863,812.50
01/01/15	—	—	415,012.50	—	415,012.50
07/01/15	455,000	\$16,545,000	415,012.50	—	17,415,012.50

EXHIBIT C

NOTICE OF DEFEASANCE City of Porterville Certificates of Participation (2005 Infrastructure Financing Project)

<u>Maturity Date</u>	<u>Amount Defeased</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>
7/1/2013	\$ 425,000	3.875%	736369 HT9
7/1/2014	440,000	4.000	736369 HU6
7/1/2015	455,000	4.100	736369 HV4
7/1/2016	475,000	4.200	736369 HW2
7/1/2017	495,000	4.300	736369 HX0
7/1/2018	515,000	4.400	736369 HY8
7/1/2019	540,000	4.500	736369 HZ5
7/1/2020	565,000	4.500	736369 JA8
7/1/2030	7,420,000	5.000	736369 JC4
7/1/2036	6,535,000	5.000	736369 JD2

NOTICE IS HEREBY GIVEN, on behalf of the City of Porterville (the "City") with respect to the City of Porterville Certificates of Participation (2005 Infrastructure Financing Project) described above (the "Certificates"), that pursuant to the terms of the trust agreement under which the Certificates were executed and delivered (the "Trust Agreement"), the lien of the Certificates has been discharged through the irrevocable deposit of cash and U.S. Treasury Securities in an escrow fund (the "Escrow Fund"). The Escrow Fund has been established and is being maintained pursuant to an escrow deposit and trust agreement, dated April 11, 2013, by and between the City and U.S. Bank National Association, as escrow agent. As a result of such deposit, the Certificates are deemed to have been paid and defeased in accordance with the Trust Agreement. The pledge of funds provided for under the Trust Agreement and all other obligations of the City to the owners of the defeased Certificates shall hereafter be limited to the application of moneys in the Escrow Fund for the payment of the principal and interest with respect to the Certificates as the same become due and payable as described below.

Amounts deposited in the Escrow Fund are calculated to be sufficient to provide for the payment of principal and interest with respect to the Certificates to and including July 1, 2015, and to redeem the outstanding Certificates on July 1, 2015 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount of the Certificates, without premium. From and after the Redemption Date, interest with respect to the Certificates shall cease to accrue and be payable.

DATED this ____ day of _____, 2013

U.S. BANK NATIONAL ASSOCIATION, as
Trustee for the Certificates and as Escrow Agent

EXHIBIT D

FORM OF REDEMPTION NOTICE

NOTICE OF REDEMPTION OF

**City of Porterville
Certificates of Participation
(2005 Infrastructure Financing Project)**

<u>Maturity Date</u>	<u>Amount Called</u>	<u>Redemption Price (1)</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>
7/1/2016	\$ 475,000	\$ 475,000	4.200%	736369 HW2
7/1/2017	495,000	495,000	4.300	736369 HX0
7/1/2018	515,000	515,000	4.400	736369 HY8
7/1/2019	540,000	540,000	4.500	736369 HZ5
7/1/2020	565,000	565,000	4.500	736369 JA8
7/1/2030	7,420,000	7,420,000	5.000	736369 JC4
7/1/2036	6,535,000	6,535,000	5.000	736369 JD2

(1) Accrued interest to be added.

NOTICE is hereby given that the City of Porterville (the "City") has called for redemption on July 1, 2015 (the "Redemption Date"), the outstanding City of Porterville Certificates of Participation (2005 Infrastructure Financing Project) described above (the "Certificates"), at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium (the "Redemption Price").

On the Redemption Date, the Redemption Price will become due and payable upon each Certificate and interest with respect thereto shall cease to accrue from and after the Redemption Date.

Payment of principal will be made upon presentation on and after July 1, 2015, at the following addresses:

If by Mail: (Registered Certificates)
U.S. Bank National Association
Global Corporate Trust Services
P.O. Box 64111
St. Paul, MN 55154-0111

If by Hand or Overnight Mail:
U.S. Bank National Association
Global Corporate Trust Services
60 Livingston Avenue
1st Floor Bond Drop Window
St. Paul, MN 55107

Owners of Certificates presenting their certificates in person for the same day payment must surrender their certificate by 1:00 p.m. on the prepayment date and a check will be available for pickup after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed to the owner by first class mail.

Interest with respect to the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

If payment of the Redemption Price is to be made to the registered owner of the Certificate you are not required to endorse the Certificate to collect the Redemption Price.

Under the Economic Growth and Tax Relief Reconciliation Act of 2006 (the "Act") 28% will be withheld if tax identification number is not properly certified. The Form W-9 may be obtained from the Internal Revenue Service.

Neither the City nor the Trustee shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness as shown in the Redemption Notice. It is included solely for convenience of the Holders.

Dated: _____, 2015

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

AFTER RECORDATION RETURN TO:

Quint & Thimmig LLP
575 Market Street, Suite 3600
San Francisco, CA 94105-2874
Attention: Brian D. Quint, Esq.

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

TERMINATION AGREEMENT

Dated as of April 1, 2013

by and among the

CITY OF PORTERVILLE

the

PORTERVILLE PUBLIC FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Relating to the
\$3,000,000
Certificates of Participation
(2005 Infrastructure Financing Project)
Evidencing and Representing the Fractional Undivided Interests of the
Owners Thereof in Rental Payments to be Made by the
CITY OF PORTERVILLE
As the Rental for certain Property Pursuant to a Lease Agreement
with the Porterville Public Financing Authority

TERMINATION AGREEMENT

This TERMINATION AGREEMENT is dated as of April 1, 2013, and is by and among the CITY OF PORTERVILLE (the "City"), the PORTERVILLE PUBLIC FINANCING AUTHORITY (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, as trustee (the "2005 Trustee").

WITNESSETH:

WHEREAS, the City and the Authority have heretofore entered into a Lease and Right of Entry Agreement, dated as of February 1, 2005 (the "2005 Lease and Right of Entry Agreement"), and a Lease Agreement, dated as of February 1, 2005 (the "2005 Lease Agreement"), pursuant to which the Authority and the City entered into a transaction for the lease financing of certain facilities, including the site thereof (the "2005 Property"), and the City agreed to make certain lease payments (the "2005 Lease Payments") to the Authority;

WHEREAS, the 2005 Lease Agreement provides that in the event that the City deposits, or causes the deposit on its behalf of moneys for the prepayment of the 2005 Lease Payments, then all of the obligations of the City under the 2005 Lease Agreement and all of the security provided by the City for such obligations, excepting only the obligation of the City to make the 2005 Lease Payments from said deposit, shall cease and terminate, and unencumbered title to the Property shall be vested in the City without further action by the City or the Authority;

WHEREAS, pursuant to an Assignment Agreement, dated as of February 1, 2005 (the "2005 Assignment Agreement"), by and between the Authority and the 2005 Trustee, the Authority assigned to the 2005 Trustee, among other things, its rights to receive 2005 Lease Payments from the City under the 2005 Lease Agreement and the right to exercise such rights and remedies conferred on the Authority under the 2005 Lease Agreement to enforce payment of the 2005 Lease Payments;

WHEREAS, pursuant to a Trust Agreement, dated as of February 1, 2005, by and among the City, the Authority and the 2005 Trustee, the 2005 Trustee agreed, among other matters, to execute and deliver certificates of participation (the "2005 Certificates") representing the fractional undivided interests of the owners thereof to receive 2005 Lease Payments made by the City;

WHEREAS, the City has determined that, as a result of favorable financial market conditions and for other reasons, it is in the best interests of the City at this time to refinance the City's obligation to make the 2005 Lease Payments under the 2005 Lease Agreement and, as a result thereof, to provide for the early redemption of the 2005 Certificates and, to that end, the City proposes to lease certain real property and the improvements thereon (the "2012 Property") to the Porterville Public Improvement Corporation (the "Corporation") and to lease back the 2012 Property from the Authority pursuant to that certain Lease Agreement, dated as of April 1, 2013 (the "2012 Lease Agreement"), a memorandum of which has been recorded concurrently herewith;

WHEREAS, to obtain moneys to make such deposit, the Authority proposes to assign and transfer certain of its rights under the 2012 Lease Agreement to Rabobank, N.A. (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of April 1, 2013, by and between the Corporation and the Assignee, and recorded concurrently herewith (the "2012 Assignment Agreement"), whereby the Assignee is to make a payment of \$21,060,000 to or to the order of the City;

WHEREAS, upon deposit of a portion of such amounts for prepayment of the 2005 Lease Payments, the 2005 Lease Agreement and the agreements related thereto need not be maintained (except as otherwise provided below), and the parties hereto now desire to provide for the termination of such documents as provided herein.

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree:

Section 1. Termination.

(a) By virtue of the deposit of amounts for prepayment of the 2005 Lease Payments, all obligations of the City under the 2005 Lease Agreement shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all payments from such deposit and title to the 2005 Property shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the prepayment of the 2005 Lease Payments.

(b) In accordance with the foregoing, the 2005 Lease and Right of Entry Agreement, 2005 Lease Agreement and the 2005 Assignment Agreement are hereby terminated and are of no further force or effect.

(c) That from and after the date hereof, none of the parties shall have any further rights or obligations thereunder.

Section 2. Execution in Counterparts. This Termination Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Termination Agreement.

CITY OF PORTERVILLE

By _____
John D. Lollis
City Manager

Attest:

Patrice Hildreth
Chief Deputy City Clerk

PORTERVILLE PUBLIC IMPROVEMENT CORPORATION

By _____
John D. Lollis
Executive Director

Attest:

Patrice Hildreth
Deputy Secretary

U.S. BANK NATIONAL ASSOCIATION,
as 2005 Trustee

By _____
Ilse, Vlach
Vice President

EXHIBIT A
PROPERTY DESCRIPTION

Projects	Est. Cost of Existing Curb, Gutter Sidewalk Improvement (1)	Est. Cost of Existing Pavement (2)	Est. Right of Way Cost and Title Type (3)	Total Worth
BRIDGES				
South Plano-Tule River	—	—	—	\$2,500,000
South Main-Tule River	—	—	—	\$2,500,000
South Jaye-Tule River	—	—	—	\$2,500,000
SLOUGH CROSSINGS				
W Henderson-Porter Slough	—	—	—	\$375,000
N. Westwood-Porter Slough	—	—	—	\$375,000
STREETS				
E. Morton	1200'x62.50=\$75,000	6600'x112.50=\$742,500	6600'x7.50=\$49,600	\$887,000
N. Conner-Morton/E. Olive	—	1400'x112.50=\$157,500	2800'x7.50=\$21,000	\$178,600
E. Olive-Putnam/Tulsa	1000'x62.50=\$62,500	7000'x112.50=\$787,500	7000'x7.50=\$52,500	\$902,500
N. Indiana-Olive/Morton	2000'x62.50=\$125,000	2000'x187.50=\$375,000	2000'x7.50=\$15,000	\$515,000
W Henderson-Newcomb/ Westwood	6500'x62.50=\$406,250	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$1,066,250
N. Main-Henderson/Linda Vista	1000'x62.50=\$62,500	11,000'x112.50=\$1,237,500	5000'x7.50=\$37,500 plus 6000'x12.50=\$75,000	\$1,412,500
W Olive-Newcomb/Westwood	4000'x62.50=\$250,000	5500'x187.50=\$1,031,250	3000'x7.50=\$22,500 plus 2500'x12.50=\$31,250	\$1,335,000
E. Orange-Piano/S. Main	3000'x62.50=\$187,500	3000'x187.50=\$562,500	3000'x12.50=\$37,500	\$787,500
S. Jaye-Olive/Gibbons	4000'x62.50=\$260,000	4000'x187.50=\$750,000 plus 5500'x112.50=\$618,750	5500'x12.50=\$68,750 plus 4000'x7.50=\$30,000	\$1,717,500
S. Newcomb-Olive/Hwy 190	2000'x62.50=\$125,000	3000'x112.50=\$337,500	1500'x12.50=\$18,750 plus 2500'x7.50=\$18,750	\$500,000
Gibbons-S. Main/Indiana	—	5500'x112.50=\$618,750	5500'x7.50=\$41,250	\$680,000
S. Main-Hwy-190/Gibbons	1500'x62.50=\$93,750	4000'x187.50=\$750,000	4000'x12.50=\$50,000	\$893,750
N. Prospect-Morton/Pioneer	6500'x62.50=\$406,250	1500'x187.50=\$281,250 plus 5000'x112.50=\$562,500	1500'x12.50=\$18,750 plus 5000'x7.50=\$37,500	\$1,306,250
E. Date-S. Main/Plano	500'x62.50=\$31,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$331,250
W. Westfield-Hwy. 65/N. Main	3500'x62.50=\$218,750	3500'x112.50=\$393,750	3500'x7.50=\$26,250	\$636,750
N. Newcomb-Mulberry/N. Grand	3500'x62.50=\$218,750	5000'x187.50=\$937,500	5000'x7.50=\$37,500	\$1,193,750
N. Westwood- Henderson/Friant Canal	3000'x31.25=\$83,750	1000'x93.75=\$93,750 plus 3000'x112.50=\$337,500	4000'x7.50=\$30,000	\$555,000
Downtown Parking Lots	4x \$250,000=\$1,000,000			\$1,000,000
S. Indian-Olive/Springville	2000'x62.50=\$125,000	3500'x112.50=\$393,750	1500'x7.50=\$11,250	\$530,000
N. Prospect-Olive/Morton	2500'x62.50=\$156,250	2500'x112.50=\$281,250	2500'x7.50=\$18,750	\$456,250
N. Villa-Olive/Henderson	5000'x62.50=\$312,500	5000'x112.50=\$562,500	4000'x7.50=\$30,000 plus 1000'x12.50=\$12,500	\$917,500
W Henderson-Indiana/N. Main	4500'x62.50=\$281,250	4500'x187.50=\$843,750	4500'x7.50=\$33,750	\$1,158,750
N. Main-Morton/Henderson	3000'x62.50=\$187,500	3000'x187.50=\$582,500	3000'x12.50=\$37,500	\$787,500
W Grand-"E"/Newcomb	8500'x62.50=\$531,250	8500'x112.50=\$956,250	8500'x7.50=\$63,750	\$1,561,250
N. Piano-Henderson/Reid	1500'x62.50=\$93,750	2000'x187.50=\$375,000 plus 4000'x112.50=\$450,000	6000'x7.50=\$45,000	\$963,500
N. Leggett-Success/Henderson	6000'x62.50=\$375,000	7500'x112.50=\$843,750	7500'x7.50=\$58,250	\$1,275,000
Main-Date/Morton	5000'x187.50=\$937,500	5000'x1000=\$5,000,000	5000'x62.50=\$312,500	<u>\$6,250,000</u>
				<u>\$38,000,600</u>

- (1) Average cost for Curb/Gutter/Sidewalk \$31.25 per linear foot (one side), \$62.50 per linear foot (two sides), excluding bridges.
- (2) Average cost for Arterial Pavement Section \$187.50 per linear foot. Average cost for Major Collector Pavement section \$112.50 per linear foot.
- (3) Right of Way value without improvements. Residential-\$6 per square foot. Commercial-\$20 per square foot (includes both sides of street)