

Exhibit 35

Documents Evidencing The Treatment Under The
Plan Of Class 1 (1996 Refunding Bond Claims)

PLEASE NOTE:

***The attached documents have not yet been formally
approved by the respective authorizing governing bodies
of the City of San Bernardino and the San Bernardino
Joint Powers Financing Authority***

**AMENDMENT NO. 1 TO TRUST INDENTURE
(1996 Refunding Lease Revenue Bonds)**

This AMENDMENT NO. 1 TO TRUST INDENTURE (1996 Refunding Lease Revenue Bonds) (this “*Amendment*”) is made and entered into and dated as of [____], 2016 by and between U.S. BANK NATIONAL ASSOCIATION, as trustee (the “*Trustee*”), and the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “*Authority*”).

RECITALS

A. The Trustee and the Authority previously entered into a Trust Indenture, dated as of December 1, 1996 (the “*Original Agreement*”), pursuant to which the Authority issued \$16,320,000 original aggregate principal amount of Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the “*1996 Bonds*”).

B. The Trustee and the Authority desire to amend the Original Agreement pursuant to the second paragraph of Section 10.01 thereof in order to permit the substitution of a reserve surety in lieu of cash to fund the Reserve Fund established under the Original Agreement.

AGREEMENT

SECTION 1. This Amendment hereby incorporates by reference all terms and conditions set forth in the Original Agreement unless specifically modified by this Amendment. All of the terms and conditions set forth in the Original Agreement that are not specifically modified by this Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Original Agreement.

SECTION 3. Section 1.01 of the Original Agreement is hereby amended as follows:

(a) The following definitions are hereby added in the appropriate alphabetical order:

“Additional Payments” means payments made in accordance with Section 4.6 of the City Hall Lease Agreement.

“City Hall Lease Agreement” means that certain Lease Agreement, dated as of December 1, 1996, by and between the Authority, as lessor, and the City, as lessee, as amended by that certain Amendment No. 1 to City Hall Lease Agreement dated as of [____], 2016.

“Late Payment Rate” means the lesser of: (A) the greater of: (i) the Prime Rate plus 3% and (ii) the then applicable highest rate of interest on the Bonds and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates (including limits on interest rates applicable to obligations of the Authority). The Late Payment Rate shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“National Financial Guaranty Agreement” means that certain Financial Guaranty Agreement dated as of [____], 2016, by and between the Authority, as Issuer, and National Public Finance Guarantee Corporation, as Insurer.

“Policy Costs” means draws on any Reserve Fund Credit Instrument, expenses and interest accrued thereon at the Late Payment Rate, and any and all other amounts payable pursuant to the terms of any Reimbursement Agreement.

“Prime Rate” means the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. at its principal office in the City of New York, New York, as its prime or base lending rate (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank, N.A.). In the event that JPMorgan Chase Bank, N.A. ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as each Provider in its sole and absolute discretion shall specify.

“Provider” means National Public Finance Guarantee Corporation or any other provider of a Reserve Fund Credit Instrument whose long term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, is rated, at the time such Reserve Fund Credit Instrument is issued, “A+” or better by S&P.

“Reimbursement Agreement” means the National Financial Guaranty Agreement or any other reimbursement agreement between a Provider and the City with respect to a Reserve Fund Credit Instrument.

“Reserve Fund Credit Instrument” means the surety bond issued in connection with the National Financial Guaranty Agreement or any other surety bond, municipal bond insurance policy, unconditional irrevocable letter of credit, or any other security device, in each case issued by a Provider in lieu of depositing cash to satisfy the Reserve Requirement.

(b) The definition of “Lease Payments” is hereby deleted and the following is substituted therefor:

“Lease Payments” means all payments required to be paid by the City pursuant to Sections 4.4 and 4.6 of the Lease Agreement, including prepayment thereof pursuant to Article X of the Lease Agreement.

SECTION 4. Section 5.01(b) of the Original Agreement is hereby amended to delete the first sentence of Section 5.01(b) and substitute the following therefor: “The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of each Provider and the owners from time to time of the Bonds, all Revenues and all of the right, title and interest of the Authority in the Lease Agreement.”

SECTION 5. Section 5.02 of the Original Agreement is hereby amended as follows:

(a) The third sentence of Section 5.02 is hereby deleted and the following is substituted therefor: “All moneys at any time deposited by the Trustee in the Special Fund shall be held by the Trustee in trust for the benefit of the Owners of the Bonds, the Bond Insurer, and each Provider.”

(b) The following is hereby added after the second paragraph of Section 5.02:

At least three (3) Business Days prior to each Payment Date, immediately after the transfer of funds from the Special Fund to the Bond Account, if any, as provided in the preceding paragraph of

this Section 5.02, all remaining funds then held in the Special Fund shall be paid and applied by the Trustee in the following order of priority:

FIRST, to each Provider, reimbursement of all amounts drawn under its Reserve Fund Credit Instrument;

SECOND, to each Provider, payment of any and all other amounts then due and owing to the Provider in accordance with the applicable Reimbursement Agreement pursuant to which its Reserve Fund Credit Instrument was issued;

THIRD, to the Reserve Fund until the aggregate amount of previously unreimbursed cash withdrawals from the Reserve Fund, if any, have been reduced to zero.

SECTION 6. Section 5.03 of the Original Agreement is hereby amended by deleting in its entirety the phrase “from the proceeds of the sale of the Bonds” in the third sentence of Section 5.03 and adding the following at the end of the first paragraph of Section 5.03:

“The Authority may satisfy the Reserve Requirement by the deposit of one or more Reserve Fund Credit Instruments in an aggregate amount at least equal to the Reserve Requirement. Provided that the aggregate amount of available coverage under the Reserve Fund Credit Instruments then in effect equals the Reserve Requirement, upon issuance of a Reserve Fund Credit Instrument, the Trustee shall release to the City cash held in the Reserve Fund equal to the amount of available coverage under such Reserve Fund Credit Instrument.”

SECTION 7. Section 5.04 of the Original Agreement is hereby amended by adding the following after the first paragraph of Section 5.04:

“If, three (3) Business Days before any Payment Date when a Reserve Fund Credit Instrument is held in the Reserve Fund, the moneys available in the Bond Account do not equal the principal, interest and redemption premium (if any) with respect to the Bonds then coming due and payable and there is not sufficient cash available in the Special Fund to pay any shortfall in the amount of such debt service on such date, the Trustee shall draw upon each Reserve Fund Credit Instrument in accordance with the provisions thereof and this Section. Whether or not Lease Payments are in abatement, each Provider of each Reserve Fund Credit Instrument will pay each portion of the payments required hereby that is due for payment and unpaid by reason of nonpayment or abatement by the Authority to the Trustee on the later to occur of: (i) the date that such scheduled principal or interest becomes due for payment and (ii) the Business Day next following the day on which the Provider receives a demand for payment therefor in accordance with the terms of its Reserve Fund Credit Instrument.

As long as a Reserve Fund Credit Instrument is in full force and effect and the applicable Provider has not defaulted on its obligations

thereunder, the Authority and the Trustee agree to comply with the following provisions:

The Authority shall repay any Policy Costs solely from Additional Payments. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Provider at the Late Payment Rate.

The Policy Costs shall be payable on the first Payment Date following each draw on the Reserve Fund Credit Instrument or the incurrence of any Policy Cost, provided, however, that all outstanding Policy Costs shall be immediately due and payable by the City to the Provider upon the earlier of the redemption of the Bonds in full and the maturity (whether at the scheduled maturity thereof, by acceleration or otherwise) of the Bonds. In order to secure the Authority's payment obligations with respect to the Policy Costs, the Authority hereby grants a security interest in favor of each Provider (subordinate only to that of the Owners of the Bonds) in all Revenues and collateral pledged as security for the Bonds. The Authority hereby agrees to file all appropriate financing statements or documents necessary in the appropriate jurisdictions under applicable law to perfect such interest, provided, however, that the Authority hereby authorizes each Provider to file or record financing statements and other filing or recording documents or instruments with respect to such interest with or without the signature of the Authority, in such form and in such offices as are necessary to perfect the security interest of the Provider under this Trust Indenture.

All cash and investments in the Reserve Fund established for the Bonds shall be transferred to the Bond Account of the Special Fund for payment of the debt service on the Bonds before any drawing may be made on any Reserve Fund Credit Instrument in lieu of cash. Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Fund Credit Instruments on which there is available coverage shall be made on a *pro rata* basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to the Reserve Fund Credit Instruments shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Reserve Fund Credit Instrument without regard to the legal or financial ability or willingness of the Provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Amounts in respect of Policy Costs paid to any Provider shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to a Provider on account of principal due, the

coverage under the Reserve Fund Credit Instrument issued by such provider will be increased by a like amount, subject to the terms of such Reserve Fund Credit Instrument.

The Trustee shall ascertain the necessity for a claim upon any Reserve Fund Credit Instrument in accordance with the provisions of this Section and provide notice to the Provider at least three (3) Business Days prior to each date upon which interest, principal, or any redemption premium is due on the Bonds.

The prior written consent of the applicable Provider shall be a condition precedent to the deposit of any Reserve Fund Credit Instrument provided in lieu of a cash deposit into the Reserve Fund. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

The Authority is not obligated: (i) to make any additional deposits into the Reserve Fund in the event that a Provider defaults on its obligation to make payments under its Reserve Fund Credit Instrument; or (ii) to replace a Reserve Fund Credit Instrument in the event of a rating downgrade of its Provider.

Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund Credit Instrument.

Each Reserve Fund Credit Instrument shall expire on the earlier of the date the Bonds are no longer Outstanding and the final maturity date of the Bonds.”

SECTION 8. Section 6.03 of the Original Agreement is hereby deleted and the following is substituted therefor:

“All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VI, including reasonable compensation to its agents, attorneys and counsel;

Second, to the payment of the principal and interest on the Bonds then due and unpaid, to the extent permitted by law, provided, however, that in the event such amounts shall be insufficient to pay in

full the principal and interest on the Bonds, then such amounts shall be applied in the following order of priority:

(a) first, to the payment in full of the principal due on the Outstanding Bonds; and

(b) second, to the payment of interest on the Bonds;

Third, to each Provider, reimbursement of all amounts drawn under its Reserve Fund Credit Instrument; and

Fourth, to each Provider, payment of any and all other amounts then due and owing to the Provider in accordance with the terms of any applicable Reimbursement Agreement.”

SECTION 9. Section 11.01 of the Original Agreement is hereby amended to delete the first paragraph of Section 11.01 and to add the following in lieu thereof:

“The Authority covenants and agrees with the Owners of the Bonds, the Bond Insurer and each Provider that it will perform all obligations and duties imposed under the Site and Facility Lease and the Lease Agreement and that it will continue to pay, and the Trustee hereby covenants that it will continue to collect, all Lease Payments, including without limitation all Additional Payments and Policy Costs, under the Lease Agreement until the latest of the date that (i) the Outstanding Bonds have been paid and discharged in accordance with the terms hereof and all other amounts due and owing hereunder have been paid as provided herein, (ii) each Reserve Fund Credit Instrument shall have been terminated in accordance with its terms and tendered by the Trustee to its Provider for cancellation without being presented for draw and all Policy Costs due and owing have been paid to each Provider in full, and (iii) the Policy of Bond Insurance shall have been terminated in accordance with its terms and tendered by the Trustee to the Bond Insurer for cancellation without being presented for draw and all amounts due and owing to the Bond Insurer have been paid in full.”

SECTION 10. Section 13.01 of the Original Agreement is hereby amended to add the following to the end of Section 13.01:

“Notwithstanding anything to the contrary contained herein, neither the Bonds nor this Trust Indenture shall be subject to defeasance, nor shall any obligations of the Authority or the Trustee hereunder or thereunder terminate unless and until (i) each Reserve Fund Credit Instrument shall have been terminated in accordance with its terms and tendered by the Trustee to its Provider for cancellation without being presented for draw and all Policy Costs due and owing have been paid to the Provider in full and (ii) the Policy of Bond Insurance shall have been terminated in accordance with its terms and tendered by the Trustee to the Bond Insurer for cancellation without being presented for draw and all amounts due and owing to the Bond Insurer have been paid in full.”

SECTION 11. The Original Agreement is hereby amended to add the following as new Section 13.16:

“Section 13.16 Additional Restrictions. Notwithstanding anything to the contrary contained herein, (i) no Additional Bonds shall be issued without the prior written consent of each Provider and the Bond Insurer, which consent may be withheld in their sole and absolute discretion, and (ii) neither this Trust Indenture nor the Lease Agreement may be amended without the prior written consent of each Provider and the Bond Insurer, which consent may be withheld in their sole and absolute discretion.”

SECTION 12. As an inducement to the Trustee and the Bond Insurer consenting to this Amendment, the Authority hereby makes the following representations:

- (a) Other than as set forth on Schedule “1” hereto (collectively, the “*Defaults*”), no defaults that are required to be cured pursuant to section 365(b)(1)(A) of title 11 of the United States Code (the “*Bankruptcy Code*”) exist under any of the Original Agreement, the City Hall Lease Agreement, or that certain Continuing Disclosure Agreement between the City and the Trustee, dated as of December 18, 1996 (the “*Continuing Disclosure Agreement*”) (collectively, the “*1996 Refunding Lease Revenue Bonds Agreements*”).
- (b) Other than as set forth on Schedule “1” hereto, as of the date hereof, the City has given, or caused to be given, notice of all Listed Events (as defined in the Continuing Disclosure Agreement) in accordance with the terms of the Continuing Disclosure Agreement and Rule 15c2-12 as adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.
- (c) Neither the City nor the Authority is a party to any agreement that modifies or purports to modify any of the 1996 Refunding Lease Revenue Bonds Agreements, except as Amendment No. 1 to City Hall Lease Agreement dated as of [____], 2016 modifies the City Hall Lease Agreement.
- (d) Each of the 1996 Refunding Lease Revenue Bonds Agreements is in full force and effect.
- (e) The Authority has duly authorized its execution, delivery and performance of this Amendment and the City Hall Lease Amendment, and this Amendment and the City Hall Lease Amendment, constitute legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

SECTION 13. This Amendment shall become effective upon the satisfaction of the following conditions precedent:

- (a) The City has cured, or provided adequate assurance that it will promptly cure, the Defaults.
- (b) The City shall have caused to be delivered to the Trustee, the City and the Bond Insurer a written opinion from nationally-recognized bond counsel in the form annexed as Exhibit “A” hereto;
- (c) The City has obtained a written opinion from nationally-recognized bond counsel that the National Financial Guaranty Agreement is a legal, valid and binding obligation of

the City, has been duly authorized and executed, and is enforceable against the City in accordance with its terms.

- (d) The United States Bankruptcy Court for the Central District of California, Riverside Division, or such other court that lawfully exercises jurisdiction (the “*Bankruptcy Court*”) over the case commenced by the City under chapter 9 of the Bankruptcy Code and styled *In re City of San Bernardino, California*, Case No. 6:12-28006-MJ, has issued a final and non-appealable order, in form and substance satisfactory to the Bond Insurer, approving a *Plan of Adjustment of Debts of City of San Bernardino, California (May 29, 2015)* (as such Plan of Adjustment may be amended from time to time with the consent of the Bond Insurer, the “*Plan of Adjustment*”).
- (e) The City provides a written certification from a City Representative that, as of the date on which the Amendment becomes effective, each of the representations set forth in SECTION 12 is true and correct as to the City and that all conditions set forth in this SECTION 13 have been satisfied.
- (f) The City and the Authority have executed and delivered that certain Amendment No. 1 to City Hall Lease Agreement, in the form annexed as Exhibit “B” hereto.
- (g) The “Effective Date” under the Plan of Adjustment has occurred.
- (h) All conditions precedent described in SECTION 9 of that certain Amendment No. 1 to Trust Agreement (1999 Refunding Certificates of Participation), dated as of [_____], 2016, have been satisfied or waived in accordance with such section.

SECTION 14. THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 15. This Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to Trust Indenture (1996 Refunding Lease Revenue Bonds) to be duly executed as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

SAN BERNARDINO JOINT POWERS FINANCING
AUTHORITY

By: _____
Chairperson

Exhibit A

STRADLING YOCCA CARLSON & RAUTH, P.C.
660 NEWPORT CENTER DRIVE, SUITE 1600
NEWPORT BEACH, CA 92660-6422
SYCR.COM

CALIFORNIA
NEWPORT BEACH
SACRAMENTO
SAN DIEGO
SAN FRANCISCO
SANTA BARBARA
SANTA MONICA
COLORADO
DENVER
NEVADA
RENO
WASHINGTON
SEATTLE

_____, 2016

City of San Bernardino
San Bernardino, California

San Bernardino Joint Powers Financing Authority
San Bernardino, California

U.S. Bank National Association
Los Angeles, California

National Public Finance Guarantee Corporation
Purchase, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Bernardino (the “City”) and the San Bernardino Joint Powers Financing Authority (the “Authority”) in connection with the execution of: (1) Amendment No. 1 to Lease Agreement, dated as of ____ 1, 2016 (the “Lease Amendment”), by and between the City and the Authority; (2) Amendment No. 1 to Trust Indenture, dated as of ____ 1, 2016 (the “Trust Indenture Amendment” and, together with the Lease Amendment, the “Amendments”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”); and (3) the Financial Guaranty Agreement, dated as of ____ __, 2016 (the “Guaranty”), by and between the Authority and National Public Finance Guarantee Corporation (“NPF”), each relating to the \$16,320,000 original aggregate principal amount of San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the “Bonds”). The execution of the Amendments was authorized pursuant to Resolution No. ____ of the City and Resolution No. ____ of the Authority, each adopted on ____ __, 20___. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Trust Indenture Amendment.

In rendering our opinion, we have examined the applicable law and originals or certified copies of: (i) the Amendments; (ii) the Lease Agreement, dated as of December 1, 1996 (the “Original Lease”), by and between the City and the Authority; (iii) the Trust Indenture, dated as of December 1, 1996 (the “Original Trust Indenture” and, together with the Original Lease, the “Original Agreements”), by and between the Authority and the Trustee; (iv) the resolutions of the

_____, 2016

City of San Bernardino
San Bernardino Joint Powers Financing Authority
U.S. Bank National Association
National Public Finance Guarantee Corporation
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City and the Authority approving the Amendments and the Guaranty; (v) the Guaranty; and (vi) such other information and documents as we have deemed necessary to render the opinions set forth herein.

Based upon and in reliance on the foregoing, we are of the opinion that:

(a) The Amendments have been duly authorized, executed and delivered by the City and the Authority in accordance with the amendment provisions of the Original Agreements and constitute amendments that cure, correct and supplement ambiguous provisions in the Original Agreements, and which do not materially adversely affect the interests of the Owners of the Bonds.

(b) The Guaranty has been duly authorized, executed and delivered by the Authority.

(c) Assuming due authorization, execution and delivery of the Trust Indenture Amendment by the Trustee, the Amendments constitute the legal, valid and binding obligations of the City and the Authority enforceable against the City and the Authority in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against public agencies in the State of California. In addition, neither the execution and delivery of the Amendments nor any of the transactions contemplated thereby will adversely affect the enforceability of the Original Agreements against the City and the Authority, as applicable.

(d) Assuming due authorization execution and delivery of the Guaranty by NPMG, the Guaranty constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against public agencies in the State of California.

(e) Neither the execution and delivery of the Amendments nor any of the transactions contemplated thereby will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. In order for interest on the Bonds to be excluded from gross income for federal income tax purposes subsequent to their date of issuance, it is necessary that certain provisions of the Internal Revenue Code of 1986, as amended, be complied with on a continuous basis. We have made no independent investigation as to whether there has been such compliance in the present case. Accordingly, we express no opinion as to whether interest on the Bonds is presently excluded from gross income for federal income tax purposes or is exempt from State of California personal income taxation as of the date of this opinion. This opinion letter does

_____, 2016

City of San Bernardino
San Bernardino Joint Powers Financing Authority
U.S. Bank National Association
National Public Finance Guarantee Corporation
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not constitute a reaffirmation of any opinions previously delivered by this firm or any other with respect to the Bonds, the Original Agreements or any amendments thereto.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions, and the foregoing opinions cover certain matters not directly addressed by such authorities. We call attention to the fact that such opinions may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken or occur. We expressly disclaim any obligation to update this opinion letter. No attorney-client relationship exists between us and you with respect to the Bonds or the Amendments.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We have not been engaged, nor have we undertaken, to advise any party or to opine as to any matters not specifically covered herein, including, but not limited to, matters relating to compliance with any securities laws.

This opinion letter may be relied upon only by you and may not be circulated, quoted from or relied upon by any other party without our prior written consent.

Respectfully submitted,

Exhibit B

AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT

This AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT (this “*Amendment*”) is made and entered into as of [____], 2016 by and between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY, a public body corporate and politic existing under the laws of the State of California (the “*Authority*”), as lessor, and the CITY OF SAN BERNARDINO, a municipal corporation and charter city duly organized and existing under the laws of the State of California (the “*City*”), as lessee.

RECITALS

A. The Authority and the City previously entered into a Lease Agreement, dated as of December 1, 1996 (the “*Original City Hall Lease Agreement*”), pursuant to which the Authority leased certain property to the City in exchange for the payment of Lease Payments by the City.

B. The Lease Payments have been assigned by the Authority to U.S. BANK NATIONAL ASSOCIATION, as trustee (the “*Trustee*”) under a Trust Indenture, dated as of December 1, 1996 (as amended, the “*Trust Indenture*”), by and between the Authority and the Trustee. The Trustee applies the Lease Payments to repay the \$16,320,000 original aggregate principal amount of Lease Revenue Refunding Bonds (City Hall Project) Series 1996 issued by the Authority.

C. The Authority and the Trustee desire to amend the Trust Indenture to permit the Authority to deposit a reserve surety in the Reserve Fund established under the Indenture.

D. The City has agreed to repay the provider of any reserve surety deposited in the Reserve Fund for draws upon such reserve surety and to pay expenses and accrued interest thereon.

E. The City and the Authority desire to amend the Original City Hall Lease Agreement pursuant to Section 11.11 thereof in order to reflect the City’s agreement set forth in Recital D.

AGREEMENT

SECTION 1. This Amendment hereby incorporates by reference all terms and conditions set forth in the Original City Hall Lease Agreement unless specifically modified by this Amendment. All of the terms and conditions set forth in the Original City Hall Lease Agreement that are not specifically modified by this Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Trust Indenture, or, if not defined therein, the Original City Hall Lease Agreement.

SECTION 3. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 2.1(f):

“Condemnation. The City hereby covenants and agrees that as long as any of the Bonds remain Outstanding, the City will not exercise any power of condemnation with respect to the Project or any portion thereof. The City further covenants and agrees that if for any reason the foregoing covenant is determined to be legally unenforceable, or

if the City fails to abide by such covenant and condemns the Project or any portion thereof, then for the purpose of determining fair compensation for such taking, the fair market value of the Project shall be assumed to be not be less than (i) if the Bonds are then subject to optional redemption, the aggregate principal of, premium if any, and interest on the Bonds through the earliest practicable date for optional redemption for which notice can be given in accordance with the terms of the Trust Indenture after the payment of compensation by the City to the Trustee for such taking, or (ii) if the Bonds are not then subject to optional redemption, the amount necessary to fully defease the Bonds in accordance with the terms of Section 13.01 of the Trust Indenture.”

SECTION 4. The phrase “Exhibit “D” hereto” at the end of the first sentence of Section 4.4(a) of the Original City Hall Lease Agreement is hereby deleted and the following is substituted therefor: “Section 1.01 of the Trust Indenture.”

SECTION 5. The following is hereby added to the end of Section 4.4(d) of the Original City Hall Lease Agreement:

“Any Additional Payments required to be paid by the City pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.”

SECTION 6. The following is hereby added after the first paragraph of Section 4.6 of the Original City Hall Lease Agreement:

“The City shall pay when due all amounts due to any Provider under any Reimbursement Agreement, or otherwise payable by the City to the Provider, and the interest due thereon pursuant to Section 4.4(c) hereof, and all such amounts shall constitute Additional Payments under this Lease Agreement. Further, the City shall pay to any Provider when due all Policy Costs. All Additional Payments described in this section are subject to abatement to the same extent Lease Payments are abated pursuant to and in accordance with Section 6.3.”

SECTION 7. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.12:

“No Merger of Estates. So long as any Bonds remain Outstanding under the Trust Indenture, the fee and leasehold estates to City Hall shall not merge, but shall always be kept separate and distinct notwithstanding the union of such estates in the Agency, the City, the Authority, or any third party by purchase or otherwise.”

SECTION 8. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.13:

“Waiver by City. The City shall waive the benefits of Sections 1932(2) and 1933(4) of the California Civil Code and any and all other rights to terminate this Lease Agreement by virtue of damage or destruction to the Project; provided that the foregoing shall not affect the provisions hereof relating to the abatement of Lease Payments and Additional Payments in accordance herewith, including but not limited to Sections 6.3 and 4.6.”

SECTION 9. THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 10. This Amendment shall become effective upon the later to occur of its execution and delivery and the satisfaction or waiver of the conditions precedent to the effectiveness of that certain Amendment No. 1 to the Trust Indenture (1996 Refunding Lease Revenue Bonds), dated as of [_____], 2016, have been satisfied.

SECTION 11. This Amendment may be executed in several counterparts, each of which shall be deemed as an original, and all of which shall constitute but one of the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to City Hall Lease Agreement to be duly executed as of the day and year first written above.

SAN BERNARDINO JOINT POWERS FINANCING
AUTHORITY

By: _____
Chairperson

CITY OF SAN BERNARDINO

By: _____
Mayor

Schedule 1

Schedule "1"

DEFAULTS

1. Audited Financial Statements for Fiscal Years 2013-14 and 2014-15 have not been filed.
2. Tax liens exist on the leased property as set forth on the following pages.

BOND	OBLIGATION	DOCUMENT EVIDENCING REAL PROPERTY SECURITY	LEASED PROPERTY DESCRIPTION	APN NO.	TAX AMOUNT DUE (as of 3/31/16)
Refunding Certificates of Participation (Police Station, South Valle and 201 North E Street) ("1999 Refunding Certificates")	City obligated to make payments under lease between the City and the JPFA for property identified as the Police Station Site.	None	<p>The Police Station Site located at 710 N. "D" Street.</p> <p>Legal description of a single parcel set forth in Exhibit A to lease between City and JPFA identified as Parcel 1 of Parcel Map No. 14725. This corresponds to APN 0140-281-52 per the County Assessor records. The Assessor's records reflect that this parcel was transferred from the Redevelopment Agency ("RDA") to the Economic Development Corp. ("EDC") in March 2011 and then subsequently transferred to the Successor Agency in November 2014. The taxes due for this APN are \$710,939.33.</p>	0140-281-52	\$710,939.33

<p>1999 Refunding Certificates</p>	<p>City obligated to make payments under lease between the City and the JPFA for property described as the 201 N. "E" Street Site (legally described in Exhibit A as Parcel 1A and 1B to the lease which was recorded as Doc. No. 19990408375).</p>	<p>Deed of Trust encumbering 201 N. "E" Street site recorded as Doc. No. 19990408316</p>	<p>Legal description of two parcels set forth in Exhibit A.</p> <p>Parcel 1A is legally described as Parcel 27 of Parcel Map 688. This corresponds to APN 0134-321-24 per the County Assessor records. The Assessor's records reflect that this parcel was transferred from the RDA to the EDC in March 2011 and then subsequently transferred to the Successor Agency in November 2014. The taxes due for this APN are \$296,271.04.</p> <p>Parcel 1B is an easement for ingress and egress.</p>	<p>0134-321-24</p>	<p>\$296,271.04</p>
<p>1999 Refunding Certificates</p>	<p>City obligated to make payments due under the lease between the City and the JPFA for property</p>	<p>None</p>	<p>The legal description appears to consist of certain rights-of-way in the area of Hunts Lane, Redlands Boulevard, "E"</p>	<p>None known</p>	<p>None known</p>

	described as the South Valle improvements (legally described in Exhibit A as consisting of four separate parcels which was recorded as Doc. No. 19990408318).		Street, Waterman Avenue and Caroline Street based on the legal descriptions in the South Valle lease.		
San Bernardino Joint Powers Financing Authority Lease Revenue Bonds (City Hall Project) Series 1996)	City obligated to make payments for "Project" as defined in Indenture. Indenture defines Project as "City Hall and the Parking Structure described collectively in Exhibit "A" to the Lease Agreement." The term "Lease Agreement" means the "Lease Purchase Agreement dated December 1, 1996" between the Authority and the City. This	None	Parcels described in Exhibits A to Lease Agreement contain legal descriptions of Parcels A, B, B-1, C, D and Parking Structure.	Parcels A, B and B-1 reference portions of "Parcels 24 and 25 of Parcel Map 688 in City of San Bernardino..." These parcels were subsequently split and the legal description of the property now appears to correspond with the following parcels shown on Assessor Parcel Map No. 0134 pages 25 and 31: (a) 0134-251-58 (identified as Plaza East); (b)	<u>Parcel A and B-1</u> That portion of this legal description now identified as Plaza East, APN 0134-251-58, has outstanding taxes due of \$46,654.93. No known taxes due for the remainder of the legally described property which appears to be the land under City Hall (APN 0134-251-51).

	<p>Lease Agreement was recorded as Doc. No. 19970104310.</p>			<p>0134-251-51 (which appears to be the ground under the City Hall building); and (c) 0134-251-61 (the City Hall building itself).</p> <p>Parcels C and D are easements for the benefits of Parcels A, B and B-1.</p> <p>The Parking Structure is legally described as Parcel 28 of Parcel Map No. 688. Per the County Assessor's records, this parcel corresponds to APN. 0134-311-50. The Assessor's records reflect that this parcel was transferred from the RDA to the EDC in March 2011 and then subsequently</p>	<p><u>Parcel B</u></p> <p>None for City Hall building (APN 0134-251-61).</p> <p><u>Parcels C and D</u></p> <p>None known for these easements.</p> <p><u>Parking Structure</u></p> <p>Legal description corresponds to APN 0134-311-50 for which taxes are due of \$317,435.69.</p>
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				transferred to the Successor Agency in November 2014. The taxes due for this APN are \$317,435.69.	
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AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT

This AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT (this “*Amendment*”) is made and entered into as of [____], 2016 by and between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY, a public body corporate and politic existing under the laws of the State of California (the “*Authority*”), as lessor, and the CITY OF SAN BERNARDINO, a municipal corporation and charter city duly organized and existing under the laws of the State of California (the “*City*”), as lessee.

RECITALS

A. The Authority and the City previously entered into a Lease Agreement, dated as of December 1, 1996 (the “*Original City Hall Lease Agreement*”), pursuant to which the Authority leased certain property to the City in exchange for the payment of Lease Payments by the City.

B. The Lease Payments have been assigned by the Authority to U.S. BANK NATIONAL ASSOCIATION, as trustee (the “*Trustee*”) under a Trust Indenture, dated as of December 1, 1996 (as amended, the “*Trust Indenture*”), by and between the Authority and the Trustee. The Trustee applies the Lease Payments to repay the \$16,320,000 original aggregate principal amount of Lease Revenue Refunding Bonds (City Hall Project) Series 1996 issued by the Authority.

C. The Authority and the Trustee desire to amend the Trust Indenture to permit the Authority to deposit a reserve surety in the Reserve Fund established under the Indenture.

D. The City has agreed to repay the provider of any reserve surety deposited in the Reserve Fund for draws upon such reserve surety and to pay expenses and accrued interest thereon.

E. The City and the Authority desire to amend the Original City Hall Lease Agreement pursuant to Section 11.11 thereof in order to reflect the City’s agreement set forth in Recital D.

AGREEMENT

SECTION 1. This Amendment hereby incorporates by reference all terms and conditions set forth in the Original City Hall Lease Agreement unless specifically modified by this Amendment. All of the terms and conditions set forth in the Original City Hall Lease Agreement that are not specifically modified by this Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Trust Indenture, or, if not defined therein, the Original City Hall Lease Agreement.

SECTION 3. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 2.1(f):

“Condemnation. The City hereby covenants and agrees that as long as any of the Bonds remain Outstanding, the City will not exercise any power of condemnation with respect to the Project or any portion thereof. The City further covenants and agrees that if for any reason the foregoing covenant is determined to be legally unenforceable, or

if the City fails to abide by such covenant and condemns the Project or any portion thereof, then for the purpose of determining fair compensation for such taking, the fair market value of the Project shall be assumed to be not be less than (i) if the Bonds are then subject to optional redemption, the aggregate principal of, premium if any, and interest on the Bonds through the earliest practicable date for optional redemption for which notice can be given in accordance with the terms of the Trust Indenture after the payment of compensation by the City to the Trustee for such taking, or (ii) if the Bonds are not then subject to optional redemption, the amount necessary to fully defease the Bonds in accordance with the terms of Section 13.01 of the Trust Indenture.”

SECTION 4. The phrase “Exhibit “D” hereto” at the end of the first sentence of Section 4.4(a) of the Original City Hall Lease Agreement is hereby deleted and the following is substituted therefor: “Section 1.01 of the Trust Indenture.”

SECTION 5. The following is hereby added to the end of Section 4.4(d) of the Original City Hall Lease Agreement:

“Any Additional Payments required to be paid by the City pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.”

SECTION 6. The following is hereby added after the first paragraph of Section 4.6 of the Original City Hall Lease Agreement:

“The City shall pay when due all amounts due to any Provider under any Reimbursement Agreement, or otherwise payable by the City to the Provider, and the interest due thereon pursuant to Section 4.4(c) hereof, and all such amounts shall constitute Additional Payments under this Lease Agreement. Further, the City shall pay to any Provider when due all Policy Costs. All Additional Payments described in this section are subject to abatement to the same extent Lease Payments are abated pursuant to and in accordance with Section 6.3.”

SECTION 7. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.12:

“No Merger of Estates. So long as any Bonds remain Outstanding under the Trust Indenture, the fee and leasehold estates to City Hall shall not merge, but shall always be kept separate and distinct notwithstanding the union of such estates in the Agency, the City, the Authority, or any third party by purchase or otherwise.”

SECTION 8. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.13:

“Waiver by City. The City shall waive the benefits of Sections 1932(2) and 1933(4) of the California Civil Code and any and all other rights to terminate this Lease Agreement by virtue of damage or destruction to the Project; provided that the foregoing shall not affect the provisions hereof relating to the abatement of Lease Payments and Additional Payments in accordance herewith, including but not limited to Sections 6.3 and 4.6.”

SECTION 9. THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 10. This Amendment shall become effective upon the later to occur of its execution and delivery and the satisfaction or waiver of the conditions precedent to the effectiveness of that certain Amendment No. 1 to the Trust Indenture (1996 Refunding Lease Revenue Bonds), dated as of [_____], 2016, have been satisfied.

SECTION 11. This Amendment may be executed in several counterparts, each of which shall be deemed as an original, and all of which shall constitute but one of the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to City Hall Lease Agreement to be duly executed as of the day and year first written above.

SAN BERNARDINO JOINT POWERS FINANCING
AUTHORITY

By: _____
Chairperson

CITY OF SAN BERNARDINO

By: _____
Mayor

**NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION
COMMITMENT TO ISSUE A
DEBT SERVICE RESERVE SURETY BOND**

Closing Date: _____
Program Type: _____

RE: Debt Service Reserve Fund for the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") constitutes an agreement between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY (the "Issuer"), and National Public Finance Guarantee Corporation ("National"), a stock insurance company incorporated under the laws of the State of New York.

The Insurer agrees, upon satisfaction of the conditions herein, to issue a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the Issuer of \$1,005,450.00 as of the Effective Date with respect to the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. Payment by the Issuer, or by the Trustee on behalf of the Issuer, on the date of delivery of the Surety Bond (the "Closing Date") of a nonrefundable premium in the amount of \$150,817.50 plus the fees and expenses of counsel to National. The premium set out in this paragraph shall be the total premium required to be paid on the Surety Bond issued pursuant to this Commitment.
2. On or prior to the Closing Date, there shall have been no material adverse change in the Obligations or the financing documents (including the Trust Indenture dated as of December 1, 1996 (as amended and supplemented, the "Indenture") between the Issuer and the Trustee designated therein and the Lease Agreement dated as of December 1, 1996 (as, amended and supplemented, the "Lease Agreement") between the Issuer and the City of San Bernardino (the "City")) not previously approved in writing by National.
3. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Surety Bond.
4. A Financial Guaranty Agreement in the form annexed hereto as **Exhibit A** shall be executed by the Issuer and the Insurer.
5. The "Effective Date" of the City's plan of adjustment (the "Plan") has occurred, and all conditions to amendments to the Indenture satisfactory to National (which shall be an exhibit to the Plan) have been satisfied or waived by National in its sole discretion. Such conditions shall include, without limitation, the satisfaction or waiver of all conditions to amendments satisfactory to National relating to the \$15,480,000 original amount of Certificates of Participation Series 1999 (Police Station, South Valle and 201 North E Street Projects) evidencing the direct, undivided fractional interest of the

Owner thereof in Lease Payments to be made by the City as the rental for certain Projects pursuant to Lease Agreements¹ with the Issuer.

6. The Indenture shall be amended in the form annexed hereto as **Exhibit B**.
7. No additional Obligations may be issued under the Indenture or the Lease Agreement for any purpose. This requirement shall be in addition to any other requirements to other parties relating to the incurrence of additional debt including Section 5.13 of the Lease Agreement.
8. The Issuer will continue to collect Lease Payments and Additional Payments until the Obligations are paid in full and all reimbursement obligations to National have been discharged.
9. The Lease Agreement shall be amended in the form annexed hereto as **Exhibit C**.
10. Section 4.4(d) of the Lease Agreement shall be amended to provide that any Additional Payments required to be paid by the City to National pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.
11. The Issuer must execute the Financial Guaranty Agreement in substantially the form presented by National.

This Commitment may be signed in counterpart by the parties hereto.

¹ Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in that certain Trust Agreement dated as of September 1, 1999, by and among the Issuer and U.S. Bank Trust National Association, as Trustee.

Dated this ___ day of _____, 2016.

National Public Finance Guarantee Corporation

By: _____
Secretary

San Bernardino Joint Powers Financing Authority

By: _____

Title:

Exhibit A

Financial Guaranty Agreement

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of [_____], 2016 by and between San Bernardino Joint Powers Financing Authority (the “Issuer”) and National Public Finance Guarantee Corporation (the “Insurer”), organized under the laws of the state of New York.

WITNESSETH:

WHEREAS, the Issuer has issued the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

ARTICLE I DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements (not to exceed \$10,000) of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

ARTICLE II
REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF
ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 1 Manhattanville Road, Suite 301, Purchase, New York 10577, Attention: Accounting and Insured Portfolio Management Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third,

upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments (“Collateral and Revenues”) in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. Subject to the provisions of Section 6.3 of the Lease Agreement governing the abatement of Lease Payments under certain circumstances, the obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to Section 6.3 of the Lease Agreement, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or

(c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.05. Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06. On-Going Information Obligations of Issuer.

(a) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 180 days of the end of each fiscal year.

(b) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations.

(c) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Document or any other document executed in connection with the issuance of the Obligations.

Section 2.07. Additional Covenants of Issuer. So long as this Agreement is in effect, the Issuer covenants as follows:

(a) Restriction on Additional Bonds. The Issuer shall not issue any Additional Bonds (as defined in the Document) under the Document or parity debt under the Lease Agreement for any purpose.

(b) Removal of Trustee. To the extent of its rights under Section 9.06 of the Document, the Issuer shall replace the Trustee at any time upon 15 days' notice from the Insurer, prior to the occurrence of an event of default.

**ARTICLE III
AMENDMENTS TO DOCUMENT**

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

**ARTICLE IV
EVENTS OF DEFAULT; REMEDIES**

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or

(b) Subject to the provisions of Section 6.3 of the Lease Agreement governing the abatement of Lease Payments under certain circumstances, the Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) A proceeding shall be commenced in a court of competent jurisdiction seeking the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer 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 under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE VI MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and “the Insurer,” wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer’s liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer’s request and in reliance on the Issuer’s promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:	Gary Saenz, Authority Counsel 300 North D Street, 6th Floor San Bernardino, CA 92418
If to the Paying Agent:	U.S. Bank National Association [Address to Be Inserted]
If to the Insurer:	National Public Finance Guarantee Corporation 1 Manhattanville Road, Suite 301 Purchase, New York 10577 Attention: Portfolio Surveillance

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**San Bernardino Joint Powers Financing
Authority**

By: _____

Title: _____

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Assistant Secretary



ANNEX A



**DEBT SERVICE RESERVE
SURETY BOND**

**National Public Finance Guarantee Corporation
Purchase, New York 10577**

Surety Bond No. _____

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of San Bernardino Joint Powers Financing Authority (the "Issuer") under the Trust Indenture dated as of December 1, 1996 between the Issuer and the trustee named therein, as amended and supplemented (the "Document") to U.S. Bank National Association (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations"), provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$1,005,450.00 (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by written or electronic delivery of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any



such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Obligor (the "Financial Guaranty Agreement"); provided, that no premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) January 1, 2023 and (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.



In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this _____ day of _____, 2016.

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Secretary



Attachment 1
Surety Bond No. [POLICY NO.]

DEMAND FOR PAYMENT

_____, 20__

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Attention: President

RE: Debt Service Reserve Fund for the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations")

Reference is made to Policy No. [POLICY NUMBER] (the "Policy") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on (the "Due Date") in an amount equal to \$_____ (the "Amount Due").

(b) The amounts legally available to the Paying Agent on the Due Date will be \$_____ less than the Amount Due (the "Deficiency").

The Paying Agent hereby requests that payment of the Deficiency be made by the Insurer under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy:

[PAYING AGENT'S ACCOUNT INFORMATION]

[Paying Agent] ABA #:

G.L. Account No #:

FFC TAS #:

Ref:

Attn: Name/Phone number



Beneficiary Address:

[Name of Bank]

[Street Address]

[City, State Zip]

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

U.S. BANK NATIONAL ASSOCIATION

By: _____

Its: _____



Attachment 2
Surety Bond No. [POLICY NO.]

NOTICE OF REINSTATEMENT

_____, 20__

U.S. Bank National Association
[Address]

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$_____.

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Secretary



Notices (Unless Otherwise Specified by National)

Email:

ClaimsManagement@mbia.com

Address:

1 Manhattanville Road, Suite 301
Purchase, New York 10577



ANNEX B

DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

“Agreement” means this Financial Guaranty Agreement.

“Closing Date” means _____, 2016.

“Commitment” means the commitment to issue Municipal Bond Guaranty Insurance in the form attached hereto as Annex C.

“Debt Service Payments” means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

“Demand for Payment” means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

“Document” means the Trust Indenture dated as of December 1, 1996 between the Issuer and the trustee named therein, as amended and supplemented (the “Indenture”).

“Event of Default” shall mean those events of default set forth in Section 4.01 of the Agreement.

“Insurer” has the same meaning as set forth in the first paragraph of this Agreement.

“Issuer” means San Bernardino Joint Powers Financing Authority.

“Lease Agreement” means the Lease Agreement dated as of December 1, 1996 between the Issuer and the City of San Bernardino, as amended and supplemented.

“Obligations” means the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996.

“Owners” means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

“Paying Agent” means U.S. Bank National Association.

“Premium” means \$150,817.50, payable to the Insurer on or prior to the Closing Date.



“Reimbursement Period” means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending thirty (30) days thereafter.

“Reimbursement Rate” means Citibank’s prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said “prime rate” being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

“State” means California.

“Surety Bond” means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

“Surety Bond Coverage” means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

“Surety Bond Limit” means \$1,005,450.00.

“Surety Bond Payment” means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.



ANNEX C
COMMITMENT

**NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION
COMMITMENT TO ISSUE A
DEBT SERVICE RESERVE SURETY BOND**

Closing Date: _____
Program Type: _____

RE: Debt Service Reserve Fund for the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") constitutes an agreement between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY (the "Issuer"), and National Public Finance Guarantee Corporation ("National"), a stock insurance company incorporated under the laws of the State of New York.

The Insurer agrees, upon satisfaction of the conditions herein, to issue a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the Issuer of \$1,005,450.00 as of the Effective Date with respect to the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. Payment by the Issuer, or by the Trustee on behalf of the Issuer, on the date of delivery of the Surety Bond (the "Closing Date") of a nonrefundable premium in the amount of \$150,817.50 plus the fees and expenses of counsel to National. The premium set out in this paragraph shall be the total premium required to be paid on the Surety Bond issued pursuant to this Commitment.
2. On or prior to the Closing Date, there shall have been no material adverse change in the Obligations or the financing documents (including the Trust Indenture dated as of December 1, 1996 (as amended and supplemented, the "Indenture") between the Issuer and the Trustee designated therein and the Lease Agreement dated as of December 1, 1996 (as, amended and supplemented, the "Lease Agreement") between the Issuer and the City of San Bernardino (the "City")) not previously approved in writing by National.
3. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Surety Bond.
4. A Financial Guaranty Agreement in the form annexed hereto as **Exhibit A** shall be executed by the Issuer and the Insurer.
5. The "Effective Date" of the City's plan of adjustment (the "Plan") has occurred, and all conditions to amendments to the Indenture satisfactory to National (which shall be an exhibit to the Plan) have been satisfied or waived by National in its sole discretion. Such conditions shall include, without limitation, the satisfaction or waiver of all conditions to amendments satisfactory to National relating to the \$15,480,000 original amount of Certificates of Participation Series 1999 (Police Station, South Valle and 201 North E Street Projects) evidencing the direct, undivided fractional interest of the

Owner thereof in Lease Payments to be made by the City as the rental for certain Projects pursuant to Lease Agreements¹ with the Issuer.

6. The Indenture shall be amended in the form annexed hereto as **Exhibit B**.
7. No additional Obligations may be issued under the Indenture or the Lease Agreement for any purpose. This requirement shall be in addition to any other requirements to other parties relating to the incurrence of additional debt including Section 5.13 of the Lease Agreement.
8. The Issuer will continue to collect Lease Payments and Additional Payments until the Obligations are paid in full and all reimbursement obligations to National have been discharged.
9. The Lease Agreement shall be amended in the form annexed hereto as **Exhibit C**.
10. Section 4.4(d) of the Lease Agreement shall be amended to provide that any Additional Payments required to be paid by the City to National pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.
11. The Issuer must execute the Financial Guaranty Agreement in substantially the form presented by National.

This Commitment may be signed in counterpart by the parties hereto.

¹ Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in that certain Trust Agreement dated as of September 1, 1999, by and among the Issuer and U.S. Bank Trust National Association, as Trustee.

Dated this ___ day of _____, 2016.

National Public Finance Guarantee Corporation

By: _____
Secretary

San Bernardino Joint Powers Financing Authority

By: _____

Title:

Exhibit B

Amendment to Trust Indenture

**AMENDMENT NO. 1 TO TRUST INDENTURE
(1996 Refunding Lease Revenue Bonds)**

This AMENDMENT NO. 1 TO TRUST INDENTURE (1996 Refunding Lease Revenue Bonds) (this “*Amendment*”) is made and entered into and dated as of [____], 2016 by and between U.S. BANK NATIONAL ASSOCIATION, as trustee (the “*Trustee*”), and the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “*Authority*”).

RECITALS

A. The Trustee and the Authority previously entered into a Trust Indenture, dated as of December 1, 1996 (the “*Original Agreement*”), pursuant to which the Authority issued \$16,320,000 original aggregate principal amount of Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the “*1996 Bonds*”).

B. The Trustee and the Authority desire to amend the Original Agreement pursuant to the second paragraph of Section 10.01 thereof in order to permit the substitution of a reserve surety in lieu of cash to fund the Reserve Fund established under the Original Agreement.

AGREEMENT

SECTION 1. This Amendment hereby incorporates by reference all terms and conditions set forth in the Original Agreement unless specifically modified by this Amendment. All of the terms and conditions set forth in the Original Agreement that are not specifically modified by this Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Original Agreement.

SECTION 3. Section 1.01 of the Original Agreement is hereby amended as follows:

(a) The following definitions are hereby added in the appropriate alphabetical order:

“Additional Payments” means payments made in accordance with Section 4.6 of the City Hall Lease Agreement.

“City Hall Lease Agreement” means that certain Lease Agreement, dated as of December 1, 1996, by and between the Authority, as lessor, and the City, as lessee, as amended by that certain Amendment No. 1 to City Hall Lease Agreement dated as of [____], 2016.

“Late Payment Rate” means the lesser of: (A) the greater of: (i) the Prime Rate plus 3% and (ii) the then applicable highest rate of interest on the Bonds and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates (including limits on interest rates applicable to obligations of the Authority). The Late Payment Rate shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“National Financial Guaranty Agreement” means that certain Financial Guaranty Agreement dated as of [____], 2016, by and between the Authority, as Issuer, and National Public Finance Guarantee Corporation, as Insurer.

“Policy Costs” means draws on any Reserve Fund Credit Instrument, expenses and interest accrued thereon at the Late Payment Rate, and any and all other amounts payable pursuant to the terms of any Reimbursement Agreement.

“Prime Rate” means the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. at its principal office in the City of New York, New York, as its prime or base lending rate (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank, N.A.). In the event that JPMorgan Chase Bank, N.A. ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as each Provider in its sole and absolute discretion shall specify.

“Provider” means National Public Finance Guarantee Corporation or any other provider of a Reserve Fund Credit Instrument whose long term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, is rated, at the time such Reserve Fund Credit Instrument is issued, “A+” or better by S&P.

“Reimbursement Agreement” means the National Financial Guaranty Agreement or any other reimbursement agreement between a Provider and the City with respect to a Reserve Fund Credit Instrument.

“Reserve Fund Credit Instrument” means the surety bond issued in connection with the National Financial Guaranty Agreement or any other surety bond, municipal bond insurance policy, unconditional irrevocable letter of credit, or any other security device, in each case issued by a Provider in lieu of depositing cash to satisfy the Reserve Requirement.

(b) The definition of “Lease Payments” is hereby deleted and the following is substituted therefor:

“Lease Payments” means all payments required to be paid by the City pursuant to Sections 4.4 and 4.6 of the Lease Agreement, including prepayment thereof pursuant to Article X of the Lease Agreement.

SECTION 4. Section 5.01(b) of the Original Agreement is hereby amended to delete the first sentence of Section 5.01(b) and substitute the following therefor: “The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of each Provider and the owners from time to time of the Bonds, all Revenues and all of the right, title and interest of the Authority in the Lease Agreement.”

SECTION 5. Section 5.02 of the Original Agreement is hereby amended as follows:

(a) The third sentence of Section 5.02 is hereby deleted and the following is substituted therefor: “All moneys at any time deposited by the Trustee in the Special Fund shall be held by the Trustee in trust for the benefit of the Owners of the Bonds, the Bond Insurer, and each Provider.”

(b) The following is hereby added after the second paragraph of Section 5.02:

At least three (3) Business Days prior to each Payment Date, immediately after the transfer of funds from the Special Fund to the Bond Account, if any, as provided in the preceding paragraph of

this Section 5.02, all remaining funds then held in the Special Fund shall be paid and applied by the Trustee in the following order of priority:

FIRST, to each Provider, reimbursement of all amounts drawn under its Reserve Fund Credit Instrument;

SECOND, to each Provider, payment of any and all other amounts then due and owing to the Provider in accordance with the applicable Reimbursement Agreement pursuant to which its Reserve Fund Credit Instrument was issued;

THIRD, to the Reserve Fund until the aggregate amount of previously unreimbursed cash withdrawals from the Reserve Fund, if any, have been reduced to zero.

SECTION 6. Section 5.03 of the Original Agreement is hereby amended by deleting in its entirety the phrase “from the proceeds of the sale of the Bonds” in the third sentence of Section 5.03 and adding the following at the end of the first paragraph of Section 5.03:

“The Authority may satisfy the Reserve Requirement by the deposit of one or more Reserve Fund Credit Instruments in an aggregate amount at least equal to the Reserve Requirement. Provided that the aggregate amount of available coverage under the Reserve Fund Credit Instruments then in effect equals the Reserve Requirement, upon issuance of a Reserve Fund Credit Instrument, the Trustee shall release to the City cash held in the Reserve Fund equal to the amount of available coverage under such Reserve Fund Credit Instrument.”

SECTION 7. Section 5.04 of the Original Agreement is hereby amended by adding the following after the first paragraph of Section 5.04:

“If, three (3) Business Days before any Payment Date when a Reserve Fund Credit Instrument is held in the Reserve Fund, the moneys available in the Bond Account do not equal the principal, interest and redemption premium (if any) with respect to the Bonds then coming due and payable and there is not sufficient cash available in the Special Fund to pay any shortfall in the amount of such debt service on such date, the Trustee shall draw upon each Reserve Fund Credit Instrument in accordance with the provisions thereof and this Section. Whether or not Lease Payments are in abatement, each Provider of each Reserve Fund Credit Instrument will pay each portion of the payments required hereby that is due for payment and unpaid by reason of nonpayment or abatement by the Authority to the Trustee on the later to occur of: (i) the date that such scheduled principal or interest becomes due for payment and (ii) the Business Day next following the day on which the Provider receives a demand for payment therefor in accordance with the terms of its Reserve Fund Credit Instrument.

As long as a Reserve Fund Credit Instrument is in full force and effect and the applicable Provider has not defaulted on its obligations

thereunder, the Authority and the Trustee agree to comply with the following provisions:

The Authority shall repay any Policy Costs solely from Additional Payments. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Provider at the Late Payment Rate.

The Policy Costs shall be payable on the first Payment Date following each draw on the Reserve Fund Credit Instrument or the incurrence of any Policy Cost, provided, however, that all outstanding Policy Costs shall be immediately due and payable by the City to the Provider upon the earlier of the redemption of the Bonds in full and the maturity (whether at the scheduled maturity thereof, by acceleration or otherwise) of the Bonds. In order to secure the Authority's payment obligations with respect to the Policy Costs, the Authority hereby grants a security interest in favor of each Provider (subordinate only to that of the Owners of the Bonds) in all Revenues and collateral pledged as security for the Bonds. The Authority hereby agrees to file all appropriate financing statements or documents necessary in the appropriate jurisdictions under applicable law to perfect such interest, provided, however, that the Authority hereby authorizes each Provider to file or record financing statements and other filing or recording documents or instruments with respect to such interest with or without the signature of the Authority, in such form and in such offices as are necessary to perfect the security interest of the Provider under this Trust Indenture.

All cash and investments in the Reserve Fund established for the Bonds shall be transferred to the Bond Account of the Special Fund for payment of the debt service on the Bonds before any drawing may be made on any Reserve Fund Credit Instrument in lieu of cash. Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Fund Credit Instruments on which there is available coverage shall be made on a *pro rata* basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to the Reserve Fund Credit Instruments shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Reserve Fund Credit Instrument without regard to the legal or financial ability or willingness of the Provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Amounts in respect of Policy Costs paid to any Provider shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to a Provider on account of principal due, the

coverage under the Reserve Fund Credit Instrument issued by such provider will be increased by a like amount, subject to the terms of such Reserve Fund Credit Instrument.

The Trustee shall ascertain the necessity for a claim upon any Reserve Fund Credit Instrument in accordance with the provisions of this Section and provide notice to the Provider at least three (3) Business Days prior to each date upon which interest, principal, or any redemption premium is due on the Bonds.

The prior written consent of the applicable Provider shall be a condition precedent to the deposit of any Reserve Fund Credit Instrument provided in lieu of a cash deposit into the Reserve Fund. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

The Authority is not obligated: (i) to make any additional deposits into the Reserve Fund in the event that a Provider defaults on its obligation to make payments under its Reserve Fund Credit Instrument; or (ii) to replace a Reserve Fund Credit Instrument in the event of a rating downgrade of its Provider.

Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund Credit Instrument.

Each Reserve Fund Credit Instrument shall expire on the earlier of the date the Bonds are no longer Outstanding and the final maturity date of the Bonds.”

SECTION 8. Section 6.03 of the Original Agreement is hereby deleted and the following is substituted therefor:

“All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VI, including reasonable compensation to its agents, attorneys and counsel;

Second, to the payment of the principal and interest on the Bonds then due and unpaid, to the extent permitted by law, provided, however, that in the event such amounts shall be insufficient to pay in

full the principal and interest on the Bonds, then such amounts shall be applied in the following order of priority:

(a) first, to the payment in full of the principal due on the Outstanding Bonds; and

(b) second, to the payment of interest on the Bonds;

Third, to each Provider, reimbursement of all amounts drawn under its Reserve Fund Credit Instrument; and

Fourth, to each Provider, payment of any and all other amounts then due and owing to the Provider in accordance with the terms of any applicable Reimbursement Agreement.”

SECTION 9. Section 11.01 of the Original Agreement is hereby amended to delete the first paragraph of Section 11.01 and to add the following in lieu thereof:

“The Authority covenants and agrees with the Owners of the Bonds, the Bond Insurer and each Provider that it will perform all obligations and duties imposed under the Site and Facility Lease and the Lease Agreement and that it will continue to pay, and the Trustee hereby covenants that it will continue to collect, all Lease Payments, including without limitation all Additional Payments and Policy Costs, under the Lease Agreement until the latest of the date that (i) the Outstanding Bonds have been paid and discharged in accordance with the terms hereof and all other amounts due and owing hereunder have been paid as provided herein, (ii) each Reserve Fund Credit Instrument shall have been terminated in accordance with its terms and tendered by the Trustee to its Provider for cancellation without being presented for draw and all Policy Costs due and owing have been paid to each Provider in full, and (iii) the Policy of Bond Insurance shall have been terminated in accordance with its terms and tendered by the Trustee to the Bond Insurer for cancellation without being presented for draw and all amounts due and owing to the Bond Insurer have been paid in full.”

SECTION 10. Section 13.01 of the Original Agreement is hereby amended to add the following to the end of Section 13.01:

“Notwithstanding anything to the contrary contained herein, neither the Bonds nor this Trust Indenture shall be subject to defeasance, nor shall any obligations of the Authority or the Trustee hereunder or thereunder terminate unless and until (i) each Reserve Fund Credit Instrument shall have been terminated in accordance with its terms and tendered by the Trustee to its Provider for cancellation without being presented for draw and all Policy Costs due and owing have been paid to the Provider in full and (ii) the Policy of Bond Insurance shall have been terminated in accordance with its terms and tendered by the Trustee to the Bond Insurer for cancellation without being presented for draw and all amounts due and owing to the Bond Insurer have been paid in full.”

SECTION 11. The Original Agreement is hereby amended to add the following as new Section 13.16:

“Section 13.16 Additional Restrictions. Notwithstanding anything to the contrary contained herein, (i) no Additional Bonds shall be issued without the prior written consent of each Provider and the Bond Insurer, which consent may be withheld in their sole and absolute discretion, and (ii) neither this Trust Indenture nor the Lease Agreement may be amended without the prior written consent of each Provider and the Bond Insurer, which consent may be withheld in their sole and absolute discretion.”

SECTION 12. As an inducement to the Trustee and the Bond Insurer consenting to this Amendment, the Authority hereby makes the following representations:

- (a) Other than as set forth on Schedule “1” hereto (collectively, the “*Defaults*”), no defaults that are required to be cured pursuant to section 365(b)(1)(A) of title 11 of the United States Code (the “*Bankruptcy Code*”) exist under any of the Original Agreement, the City Hall Lease Agreement, or that certain Continuing Disclosure Agreement between the City and the Trustee, dated as of December 18, 1996 (the “*Continuing Disclosure Agreement*”) (collectively, the “*1996 Refunding Lease Revenue Bonds Agreements*”).
- (b) Other than as set forth on Schedule “1” hereto, as of the date hereof, the City has given, or caused to be given, notice of all Listed Events (as defined in the Continuing Disclosure Agreement) in accordance with the terms of the Continuing Disclosure Agreement and Rule 15c2-12 as adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.
- (c) Neither the City nor the Authority is a party to any agreement that modifies or purports to modify any of the 1996 Refunding Lease Revenue Bonds Agreements, except as Amendment No. 1 to City Hall Lease Agreement dated as of [____], 2016 modifies the City Hall Lease Agreement.
- (d) Each of the 1996 Refunding Lease Revenue Bonds Agreements is in full force and effect.
- (e) The Authority has duly authorized its execution, delivery and performance of this Amendment and the City Hall Lease Amendment, and this Amendment and the City Hall Lease Amendment, constitute legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

SECTION 13. This Amendment shall become effective upon the satisfaction of the following conditions precedent:

- (a) The City has cured, or provided adequate assurance that it will promptly cure, the Defaults.
- (b) The City shall have caused to be delivered to the Trustee, the City and the Bond Insurer a written opinion from nationally-recognized bond counsel in the form annexed as Exhibit “A” hereto;
- (c) The City has obtained a written opinion from nationally-recognized bond counsel that the National Financial Guaranty Agreement is a legal, valid and binding obligation of

the City, has been duly authorized and executed, and is enforceable against the City in accordance with its terms.

- (d) The United States Bankruptcy Court for the Central District of California, Riverside Division, or such other court that lawfully exercises jurisdiction (the “*Bankruptcy Court*”) over the case commenced by the City under chapter 9 of the Bankruptcy Code and styled *In re City of San Bernardino, California*, Case No. 6:12-28006-MJ, has issued a final and non-appealable order, in form and substance satisfactory to the Bond Insurer, approving a *Plan of Adjustment of Debts of City of San Bernardino, California (May 29, 2015)* (as such Plan of Adjustment may be amended from time to time with the consent of the Bond Insurer, the “*Plan of Adjustment*”).
- (e) The City provides a written certification from a City Representative that, as of the date on which the Amendment becomes effective, each of the representations set forth in SECTION 12 is true and correct as to the City and that all conditions set forth in this SECTION 13 have been satisfied.
- (f) The City and the Authority have executed and delivered that certain Amendment No. 1 to City Hall Lease Agreement, in the form annexed as Exhibit “B” hereto.
- (g) The “Effective Date” under the Plan of Adjustment has occurred.
- (h) All conditions precedent described in SECTION 9 of that certain Amendment No. 1 to Trust Agreement (1999 Refunding Certificates of Participation), dated as of [_____], 2016, have been satisfied or waived in accordance with such section.

SECTION 14. THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 15. This Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to Trust Indenture (1996 Refunding Lease Revenue Bonds) to be duly executed as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

SAN BERNARDINO JOINT POWERS FINANCING
AUTHORITY

By: _____
Chairperson

Exhibit A

STRADLING YOCCA CARLSON & RAUTH, P.C.
660 NEWPORT CENTER DRIVE, SUITE 1600
NEWPORT BEACH, CA 92660-6422
SYCR.COM

CALIFORNIA
NEWPORT BEACH
SACRAMENTO
SAN DIEGO
SAN FRANCISCO
SANTA BARBARA
SANTA MONICA
COLORADO
DENVER
NEVADA
RENO
WASHINGTON
SEATTLE

_____, 2016

City of San Bernardino
San Bernardino, California

San Bernardino Joint Powers Financing Authority
San Bernardino, California

U.S. Bank National Association
Los Angeles, California

National Public Finance Guarantee Corporation
Purchase, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Bernardino (the “City”) and the San Bernardino Joint Powers Financing Authority (the “Authority”) in connection with the execution of: (1) Amendment No. 1 to Lease Agreement, dated as of ____ 1, 2016 (the “Lease Amendment”), by and between the City and the Authority; (2) Amendment No. 1 to Trust Indenture, dated as of ____ 1, 2016 (the “Trust Indenture Amendment” and, together with the Lease Amendment, the “Amendments”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”); and (3) the Financial Guaranty Agreement, dated as of ____ __, 2016 (the “Guaranty”), by and between the Authority and National Public Finance Guarantee Corporation (“NPFGB”), each relating to the \$16,320,000 original aggregate principal amount of San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the “Bonds”). The execution of the Amendments was authorized pursuant to Resolution No. ____ of the City and Resolution No. ____ of the Authority, each adopted on ____ __, 20___. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Trust Indenture Amendment.

In rendering our opinion, we have examined the applicable law and originals or certified copies of: (i) the Amendments; (ii) the Lease Agreement, dated as of December 1, 1996 (the “Original Lease”), by and between the City and the Authority; (iii) the Trust Indenture, dated as of December 1, 1996 (the “Original Trust Indenture” and, together with the Original Lease, the “Original Agreements”), by and between the Authority and the Trustee; (iv) the resolutions of the

_____, 2016

City of San Bernardino
San Bernardino Joint Powers Financing Authority
U.S. Bank National Association
National Public Finance Guarantee Corporation
Page Two

City and the Authority approving the Amendments and the Guaranty; (v) the Guaranty; and (vi) such other information and documents as we have deemed necessary to render the opinions set forth herein.

Based upon and in reliance on the foregoing, we are of the opinion that:

(a) The Amendments have been duly authorized, executed and delivered by the City and the Authority in accordance with the amendment provisions of the Original Agreements and constitute amendments that cure, correct and supplement ambiguous provisions in the Original Agreements, and which do not materially adversely affect the interests of the Owners of the Bonds.

(b) The Guaranty has been duly authorized, executed and delivered by the Authority.

(c) Assuming due authorization, execution and delivery of the Trust Indenture Amendment by the Trustee, the Amendments constitute the legal, valid and binding obligations of the City and the Authority enforceable against the City and the Authority in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against public agencies in the State of California. In addition, neither the execution and delivery of the Amendments nor any of the transactions contemplated thereby will adversely affect the enforceability of the Original Agreements against the City and the Authority, as applicable.

(d) Assuming due authorization execution and delivery of the Guaranty by NPMG, the Guaranty constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against public agencies in the State of California.

(e) Neither the execution and delivery of the Amendments nor any of the transactions contemplated thereby will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. In order for interest on the Bonds to be excluded from gross income for federal income tax purposes subsequent to their date of issuance, it is necessary that certain provisions of the Internal Revenue Code of 1986, as amended, be complied with on a continuous basis. We have made no independent investigation as to whether there has been such compliance in the present case. Accordingly, we express no opinion as to whether interest on the Bonds is presently excluded from gross income for federal income tax purposes or is exempt from State of California personal income taxation as of the date of this opinion. This opinion letter does

_____, 2016

City of San Bernardino
San Bernardino Joint Powers Financing Authority
U.S. Bank National Association
National Public Finance Guarantee Corporation
Page Three

not constitute a reaffirmation of any opinions previously delivered by this firm or any other with respect to the Bonds, the Original Agreements or any amendments thereto.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions, and the foregoing opinions cover certain matters not directly addressed by such authorities. We call attention to the fact that such opinions may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken or occur. We expressly disclaim any obligation to update this opinion letter. No attorney-client relationship exists between us and you with respect to the Bonds or the Amendments.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We have not been engaged, nor have we undertaken, to advise any party or to opine as to any matters not specifically covered herein, including, but not limited to, matters relating to compliance with any securities laws.

This opinion letter may be relied upon only by you and may not be circulated, quoted from or relied upon by any other party without our prior written consent.

Respectfully submitted,

Exhibit B

AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT

This AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT (this “*Amendment*”) is made and entered into as of [____], 2016 by and between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY, a public body corporate and politic existing under the laws of the State of California (the “*Authority*”), as lessor, and the CITY OF SAN BERNARDINO, a municipal corporation and charter city duly organized and existing under the laws of the State of California (the “*City*”), as lessee.

RECITALS

A. The Authority and the City previously entered into a Lease Agreement, dated as of December 1, 1996 (the “*Original City Hall Lease Agreement*”), pursuant to which the Authority leased certain property to the City in exchange for the payment of Lease Payments by the City.

B. The Lease Payments have been assigned by the Authority to U.S. BANK NATIONAL ASSOCIATION, as trustee (the “*Trustee*”) under a Trust Indenture, dated as of December 1, 1996 (as amended, the “*Trust Indenture*”), by and between the Authority and the Trustee. The Trustee applies the Lease Payments to repay the \$16,320,000 original aggregate principal amount of Lease Revenue Refunding Bonds (City Hall Project) Series 1996 issued by the Authority.

C. The Authority and the Trustee desire to amend the Trust Indenture to permit the Authority to deposit a reserve surety in the Reserve Fund established under the Indenture.

D. The City has agreed to repay the provider of any reserve surety deposited in the Reserve Fund for draws upon such reserve surety and to pay expenses and accrued interest thereon.

E. The City and the Authority desire to amend the Original City Hall Lease Agreement pursuant to Section 11.11 thereof in order to reflect the City’s agreement set forth in Recital D.

AGREEMENT

SECTION 1. This Amendment hereby incorporates by reference all terms and conditions set forth in the Original City Hall Lease Agreement unless specifically modified by this Amendment. All of the terms and conditions set forth in the Original City Hall Lease Agreement that are not specifically modified by this Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Trust Indenture, or, if not defined therein, the Original City Hall Lease Agreement.

SECTION 3. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 2.1(f):

“Condemnation. The City hereby covenants and agrees that as long as any of the Bonds remain Outstanding, the City will not exercise any power of condemnation with respect to the Project or any portion thereof. The City further covenants and agrees that if for any reason the foregoing covenant is determined to be legally unenforceable, or

if the City fails to abide by such covenant and condemns the Project or any portion thereof, then for the purpose of determining fair compensation for such taking, the fair market value of the Project shall be assumed to be not be less than (i) if the Bonds are then subject to optional redemption, the aggregate principal of, premium if any, and interest on the Bonds through the earliest practicable date for optional redemption for which notice can be given in accordance with the terms of the Trust Indenture after the payment of compensation by the City to the Trustee for such taking, or (ii) if the Bonds are not then subject to optional redemption, the amount necessary to fully defease the Bonds in accordance with the terms of Section 13.01 of the Trust Indenture.”

SECTION 4. The phrase “Exhibit “D” hereto” at the end of the first sentence of Section 4.4(a) of the Original City Hall Lease Agreement is hereby deleted and the following is substituted therefor: “Section 1.01 of the Trust Indenture.”

SECTION 5. The following is hereby added to the end of Section 4.4(d) of the Original City Hall Lease Agreement:

“Any Additional Payments required to be paid by the City pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.”

SECTION 6. The following is hereby added after the first paragraph of Section 4.6 of the Original City Hall Lease Agreement:

“The City shall pay when due all amounts due to any Provider under any Reimbursement Agreement, or otherwise payable by the City to the Provider, and the interest due thereon pursuant to Section 4.4(c) hereof, and all such amounts shall constitute Additional Payments under this Lease Agreement. Further, the City shall pay to any Provider when due all Policy Costs. All Additional Payments described in this section are subject to abatement to the same extent Lease Payments are abated pursuant to and in accordance with Section 6.3.”

SECTION 7. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.12:

“No Merger of Estates. So long as any Bonds remain Outstanding under the Trust Indenture, the fee and leasehold estates to City Hall shall not merge, but shall always be kept separate and distinct notwithstanding the union of such estates in the Agency, the City, the Authority, or any third party by purchase or otherwise.”

SECTION 8. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.13:

“Waiver by City. The City shall waive the benefits of Sections 1932(2) and 1933(4) of the California Civil Code and any and all other rights to terminate this Lease Agreement by virtue of damage or destruction to the Project; provided that the foregoing shall not affect the provisions hereof relating to the abatement of Lease Payments and Additional Payments in accordance herewith, including but not limited to Sections 6.3 and 4.6.”

SECTION 9. THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 10. This Amendment shall become effective upon the later to occur of its execution and delivery and the satisfaction or waiver of the conditions precedent to the effectiveness of that certain Amendment No. 1 to the Trust Indenture (1996 Refunding Lease Revenue Bonds), dated as of [_____], 2016, have been satisfied.

SECTION 11. This Amendment may be executed in several counterparts, each of which shall be deemed as an original, and all of which shall constitute but one of the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to City Hall Lease Agreement to be duly executed as of the day and year first written above.

SAN BERNARDINO JOINT POWERS FINANCING
AUTHORITY

By: _____
Chairperson

CITY OF SAN BERNARDINO

By: _____
Mayor

Schedule 1

Schedule "1"

DEFAULTS

1. Audited Financial Statements for Fiscal Years 2013-14 and 2014-15 have not been filed.
2. Tax liens exist on the leased property as set forth on the following pages.

BOND	OBLIGATION	DOCUMENT EVIDENCING REAL PROPERTY SECURITY	LEASED PROPERTY DESCRIPTION	APN NO.	TAX AMOUNT DUE (as of 3/31/16)
Refunding Certificates of Participation (Police Station, South Valle and 201 North E Street) ("1999 Refunding Certificates")	City obligated to make payments under lease between the City and the JPFA for property identified as the Police Station Site.	None	<p>The Police Station Site located at 710 N. "D" Street.</p> <p>Legal description of a single parcel set forth in Exhibit A to lease between City and JPFA identified as Parcel 1 of Parcel Map No. 14725. This corresponds to APN 0140-281-52 per the County Assessor records. The Assessor's records reflect that this parcel was transferred from the Redevelopment Agency ("RDA") to the Economic Development Corp. ("EDC") in March 2011 and then subsequently transferred to the Successor Agency in November 2014. The taxes due for this APN are \$710,939.33.</p>	0140-281-52	\$710,939.33

<p>1999 Refunding Certificates</p>	<p>City obligated to make payments under lease between the City and the JPFA for property described as the 201 N. "E" Street Site (legally described in Exhibit A as Parcel 1A and 1B to the lease which was recorded as Doc. No. 19990408375).</p>	<p>Deed of Trust encumbering 201 N. "E" Street site recorded as Doc. No. 19990408316</p>	<p>Legal description of two parcels set forth in Exhibit A.</p> <p>Parcel 1A is legally described as Parcel 27 of Parcel Map 688. This corresponds to APN 0134-321-24 per the County Assessor records. The Assessor's records reflect that this parcel was transferred from the RDA to the EDC in March 2011 and then subsequently transferred to the Successor Agency in November 2014. The taxes due for this APN are \$296,271.04.</p> <p>Parcel 1B is an easement for ingress and egress.</p>	<p>0134-321-24</p>	<p>\$296,271.04</p>
<p>1999 Refunding Certificates</p>	<p>City obligated to make payments due under the lease between the City and the JPFA for property</p>	<p>None</p>	<p>The legal description appears to consist of certain rights-of-way in the area of Hunts Lane, Redlands Boulevard, "E"</p>	<p>None known</p>	<p>None known</p>

	described as the South Valle improvements (legally described in Exhibit A as consisting of four separate parcels which was recorded as Doc. No. 19990408318).		Street, Waterman Avenue and Caroline Street based on the legal descriptions in the South Valle lease.		
San Bernardino Joint Powers Financing Authority Lease Revenue Bonds (City Hall Project) Series 1996)	City obligated to make payments for "Project" as defined in Indenture. Indenture defines Project as "City Hall and the Parking Structure described collectively in Exhibit "A" to the Lease Agreement." The term "Lease Agreement" means the "Lease Purchase Agreement dated December 1, 1996" between the Authority and the City. This	None	Parcels described in Exhibits A to Lease Agreement contain legal descriptions of Parcels A, B, B-1, C, D and Parking Structure.	Parcels A, B and B-1 reference portions of "Parcels 24 and 25 of Parcel Map 688 in City of San Bernardino..." These parcels were subsequently split and the legal description of the property now appears to correspond with the following parcels shown on Assessor Parcel Map No. 0134 pages 25 and 31: (a) 0134-251-58 (identified as Plaza East); (b)	<u>Parcel A and B-1</u> That portion of this legal description now identified as Plaza East, APN 0134-251-58, has outstanding taxes due of \$46,654.93. No known taxes due for the remainder of the legally described property which appears to be the land under City Hall (APN 0134-251-51).

	<p>Lease Agreement was recorded as Doc. No. 19970104310.</p>			<p>0134-251-51 (which appears to be the ground under the City Hall building); and (c) 0134-251-61 (the City Hall building itself).</p> <p>Parcels C and D are easements for the benefits of Parcels A, B and B-1.</p> <p>The Parking Structure is legally described as Parcel 28 of Parcel Map No. 688. Per the County Assessor's records, this parcel corresponds to APN. 0134-311-50. The Assessor's records reflect that this parcel was transferred from the RDA to the EDC in March 2011 and then subsequently</p>	<p><u>Parcel B</u></p> <p>None for City Hall building (APN 0134-251-61).</p> <p><u>Parcels C and D</u></p> <p>None known for these easements.</p> <p><u>Parking Structure</u></p> <p>Legal description corresponds to APN 0134-311-50 for which taxes are due of \$317,435.69.</p>
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				transferred to the Successor Agency in November 2014. The taxes due for this APN are \$317,435.69.	
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Exhibit C

Amendment to Lease Agreement

AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT

This AMENDMENT NO. 1 TO CITY HALL LEASE AGREEMENT (this “*Amendment*”) is made and entered into as of [____], 2016 by and between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY, a public body corporate and politic existing under the laws of the State of California (the “*Authority*”), as lessor, and the CITY OF SAN BERNARDINO, a municipal corporation and charter city duly organized and existing under the laws of the State of California (the “*City*”), as lessee.

RECITALS

A. The Authority and the City previously entered into a Lease Agreement, dated as of December 1, 1996 (the “*Original City Hall Lease Agreement*”), pursuant to which the Authority leased certain property to the City in exchange for the payment of Lease Payments by the City.

B. The Lease Payments have been assigned by the Authority to U.S. BANK NATIONAL ASSOCIATION, as trustee (the “*Trustee*”) under a Trust Indenture, dated as of December 1, 1996 (as amended, the “*Trust Indenture*”), by and between the Authority and the Trustee. The Trustee applies the Lease Payments to repay the \$16,320,000 original aggregate principal amount of Lease Revenue Refunding Bonds (City Hall Project) Series 1996 issued by the Authority.

C. The Authority and the Trustee desire to amend the Trust Indenture to permit the Authority to deposit a reserve surety in the Reserve Fund established under the Indenture.

D. The City has agreed to repay the provider of any reserve surety deposited in the Reserve Fund for draws upon such reserve surety and to pay expenses and accrued interest thereon.

E. The City and the Authority desire to amend the Original City Hall Lease Agreement pursuant to Section 11.11 thereof in order to reflect the City’s agreement set forth in Recital D.

AGREEMENT

SECTION 1. This Amendment hereby incorporates by reference all terms and conditions set forth in the Original City Hall Lease Agreement unless specifically modified by this Amendment. All of the terms and conditions set forth in the Original City Hall Lease Agreement that are not specifically modified by this Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Trust Indenture, or, if not defined therein, the Original City Hall Lease Agreement.

SECTION 3. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 2.1(f):

“Condemnation. The City hereby covenants and agrees that as long as any of the Bonds remain Outstanding, the City will not exercise any power of condemnation with respect to the Project or any portion thereof. The City further covenants and agrees that if for any reason the foregoing covenant is determined to be legally unenforceable, or

if the City fails to abide by such covenant and condemns the Project or any portion thereof, then for the purpose of determining fair compensation for such taking, the fair market value of the Project shall be assumed to be not be less than (i) if the Bonds are then subject to optional redemption, the aggregate principal of, premium if any, and interest on the Bonds through the earliest practicable date for optional redemption for which notice can be given in accordance with the terms of the Trust Indenture after the payment of compensation by the City to the Trustee for such taking, or (ii) if the Bonds are not then subject to optional redemption, the amount necessary to fully defease the Bonds in accordance with the terms of Section 13.01 of the Trust Indenture.”

SECTION 4. The phrase “Exhibit “D” hereto” at the end of the first sentence of Section 4.4(a) of the Original City Hall Lease Agreement is hereby deleted and the following is substituted therefor: “Section 1.01 of the Trust Indenture.”

SECTION 5. The following is hereby added to the end of Section 4.4(d) of the Original City Hall Lease Agreement:

“Any Additional Payments required to be paid by the City pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.”

SECTION 6. The following is hereby added after the first paragraph of Section 4.6 of the Original City Hall Lease Agreement:

“The City shall pay when due all amounts due to any Provider under any Reimbursement Agreement, or otherwise payable by the City to the Provider, and the interest due thereon pursuant to Section 4.4(c) hereof, and all such amounts shall constitute Additional Payments under this Lease Agreement. Further, the City shall pay to any Provider when due all Policy Costs. All Additional Payments described in this section are subject to abatement to the same extent Lease Payments are abated pursuant to and in accordance with Section 6.3.”

SECTION 7. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.12:

“No Merger of Estates. So long as any Bonds remain Outstanding under the Trust Indenture, the fee and leasehold estates to City Hall shall not merge, but shall always be kept separate and distinct notwithstanding the union of such estates in the Agency, the City, the Authority, or any third party by purchase or otherwise.”

SECTION 8. The Original City Hall Lease Agreement is hereby amended to add the following as new Section 11.13:

“Waiver by City. The City shall waive the benefits of Sections 1932(2) and 1933(4) of the California Civil Code and any and all other rights to terminate this Lease Agreement by virtue of damage or destruction to the Project; provided that the foregoing shall not affect the provisions hereof relating to the abatement of Lease Payments and Additional Payments in accordance herewith, including but not limited to Sections 6.3 and 4.6.”

SECTION 9. THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 10. This Amendment shall become effective upon the later to occur of its execution and delivery and the satisfaction or waiver of the conditions precedent to the effectiveness of that certain Amendment No. 1 to the Trust Indenture (1996 Refunding Lease Revenue Bonds), dated as of [_____], 2016, have been satisfied.

SECTION 11. This Amendment may be executed in several counterparts, each of which shall be deemed as an original, and all of which shall constitute but one of the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to City Hall Lease Agreement to be duly executed as of the day and year first written above.

SAN BERNARDINO JOINT POWERS FINANCING
AUTHORITY

By: _____
Chairperson

CITY OF SAN BERNARDINO

By: _____
Mayor

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of [_____], 2016 by and between San Bernardino Joint Powers Financing Authority (the “Issuer”) and National Public Finance Guarantee Corporation (the “Insurer”), organized under the laws of the state of New York.

WITNESSETH:

WHEREAS, the Issuer has issued the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

ARTICLE I DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements (not to exceed \$10,000) of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

ARTICLE II
REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF
ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 1 Manhattanville Road, Suite 301, Purchase, New York 10577, Attention: Accounting and Insured Portfolio Management Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third,

upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments (“Collateral and Revenues”) in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. Subject to the provisions of Section 6.3 of the Lease Agreement governing the abatement of Lease Payments under certain circumstances, the obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to Section 6.3 of the Lease Agreement, irrespective of:

- (a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or
- (b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or
- (c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or
- (d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.05. Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06. On-Going Information Obligations of Issuer.

(a) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 180 days of the end of each fiscal year.

(b) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations.

(c) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Document or any other document executed in connection with the issuance of the Obligations.

Section 2.07. Additional Covenants of Issuer. So long as this Agreement is in effect, the Issuer covenants as follows:

(a) Restriction on Additional Bonds. The Issuer shall not issue any Additional Bonds (as defined in the Document) under the Document or parity debt under the Lease Agreement for any purpose.

(b) Removal of Trustee. To the extent of its rights under Section 9.06 of the Document, the Issuer shall replace the Trustee at any time upon 15 days' notice from the Insurer, prior to the occurrence of an event of default.

ARTICLE III AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

ARTICLE IV EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or

(b) Subject to the provisions of Section 6.3 of the Lease Agreement governing the abatement of Lease Payments under certain circumstances, the Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) A proceeding shall be commenced in a court of competent jurisdiction seeking the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer 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 under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE VI MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and “the Insurer,” wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer’s liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer’s request and in reliance on the Issuer’s promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:	Gary Saenz, Authority Counsel 300 North D Street, 6th Floor San Bernardino, CA 92418
If to the Paying Agent:	U.S. Bank National Association [Address to Be Inserted]
If to the Insurer:	National Public Finance Guarantee Corporation 1 Manhattanville Road, Suite 301 Purchase, New York 10577 Attention: Portfolio Surveillance

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**San Bernardino Joint Powers Financing
Authority**

By: _____

Title: _____

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Assistant Secretary



ANNEX A



**DEBT SERVICE RESERVE
SURETY BOND**

**National Public Finance Guarantee Corporation
Purchase, New York 10577**

Surety Bond No. _____

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of San Bernardino Joint Powers Financing Authority (the "Issuer") under the Trust Indenture dated as of December 1, 1996 between the Issuer and the trustee named therein, as amended and supplemented (the "Document") to U.S. Bank National Association (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations"), provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$1,005,450.00 (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by written or electronic delivery of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any



such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Obligor (the "Financial Guaranty Agreement"); provided, that no premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) January 1, 2023 and (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.



In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this _____ day of _____, 2016.

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Secretary



Attachment 1
Surety Bond No. [POLICY NO.]

DEMAND FOR PAYMENT

_____, 20__

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Attention: President

RE: Debt Service Reserve Fund for the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations")

Reference is made to Policy No. [POLICY NUMBER] (the "Policy") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on (the "Due Date") in an amount equal to \$_____ (the "Amount Due").

(b) The amounts legally available to the Paying Agent on the Due Date will be \$_____ less than the Amount Due (the "Deficiency").

The Paying Agent hereby requests that payment of the Deficiency be made by the Insurer under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy:

[PAYING AGENT'S ACCOUNT INFORMATION]

[Paying Agent] ABA #:

G.L. Account No #:

FFC TAS #:

Ref:

Attn: Name/Phone number



Beneficiary Address:

[Name of Bank]

[Street Address]

[City, State Zip]

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

U.S. BANK NATIONAL ASSOCIATION

By: _____

Its: _____



Attachment 2
Surety Bond No. [POLICY NO.]

NOTICE OF REINSTATEMENT

_____, 20__

U.S. Bank National Association
[Address]

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$_____.

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Secretary



Notices (Unless Otherwise Specified by National)

Email:

ClaimsManagement@mbia.com

Address:

1 Manhattanville Road, Suite 301
Purchase, New York 10577



ANNEX B

DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

“Agreement” means this Financial Guaranty Agreement.

“Closing Date” means _____, 2016.

“Commitment” means the commitment to issue Municipal Bond Guaranty Insurance in the form attached hereto as Annex C.

“Debt Service Payments” means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

“Demand for Payment” means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

“Document” means the Trust Indenture dated as of December 1, 1996 between the Issuer and the trustee named therein, as amended and supplemented (the “Indenture”).

“Event of Default” shall mean those events of default set forth in Section 4.01 of the Agreement.

“Insurer” has the same meaning as set forth in the first paragraph of this Agreement.

“Issuer” means San Bernardino Joint Powers Financing Authority.

“Lease Agreement” means the Lease Agreement dated as of December 1, 1996 between the Issuer and the City of San Bernardino, as amended and supplemented.

“Obligations” means the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996.

“Owners” means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

“Paying Agent” means U.S. Bank National Association.

“Premium” means \$150,817.50, payable to the Insurer on or prior to the Closing Date.



“Reimbursement Period” means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending thirty (30) days thereafter.

“Reimbursement Rate” means Citibank’s prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said “prime rate” being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

“State” means California.

“Surety Bond” means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

“Surety Bond Coverage” means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

“Surety Bond Limit” means \$1,005,450.00.

“Surety Bond Payment” means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.



ANNEX C
COMMITMENT

**NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION
COMMITMENT TO ISSUE A
DEBT SERVICE RESERVE SURETY BOND**

Closing Date: _____
Program Type: _____

RE: Debt Service Reserve Fund for the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") constitutes an agreement between the SAN BERNARDINO JOINT POWERS FINANCING AUTHORITY (the "Issuer"), and National Public Finance Guarantee Corporation ("National"), a stock insurance company incorporated under the laws of the State of New York.

The Insurer agrees, upon satisfaction of the conditions herein, to issue a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the Issuer of \$1,005,450.00 as of the Effective Date with respect to the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. Payment by the Issuer, or by the Trustee on behalf of the Issuer, on the date of delivery of the Surety Bond (the "Closing Date") of a nonrefundable premium in the amount of \$150,817.50 plus the fees and expenses of counsel to National. The premium set out in this paragraph shall be the total premium required to be paid on the Surety Bond issued pursuant to this Commitment.
2. On or prior to the Closing Date, there shall have been no material adverse change in the Obligations or the financing documents (including the Trust Indenture dated as of December 1, 1996 (as amended and supplemented, the "Indenture") between the Issuer and the Trustee designated therein and the Lease Agreement dated as of December 1, 1996 (as, amended and supplemented, the "Lease Agreement") between the Issuer and the City of San Bernardino (the "City")) not previously approved in writing by National.
3. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Surety Bond.
4. A Financial Guaranty Agreement in the form annexed hereto as **Exhibit A** shall be executed by the Issuer and the Insurer.
5. The "Effective Date" of the City's plan of adjustment (the "Plan") has occurred, and all conditions to amendments to the Indenture satisfactory to National (which shall be an exhibit to the Plan) have been satisfied or waived by National in its sole discretion. Such conditions shall include, without limitation, the satisfaction or waiver of all conditions to amendments satisfactory to National relating to the \$15,480,000 original amount of Certificates of Participation Series 1999 (Police Station, South Valle and 201 North E Street Projects) evidencing the direct, undivided fractional interest of the

Owner thereof in Lease Payments to be made by the City as the rental for certain Projects pursuant to Lease Agreements¹ with the Issuer.

6. The Indenture shall be amended in the form annexed hereto as **Exhibit B**.
7. No additional Obligations may be issued under the Indenture or the Lease Agreement for any purpose. This requirement shall be in addition to any other requirements to other parties relating to the incurrence of additional debt including Section 5.13 of the Lease Agreement.
8. The Issuer will continue to collect Lease Payments and Additional Payments until the Obligations are paid in full and all reimbursement obligations to National have been discharged.
9. The Lease Agreement shall be amended in the form annexed hereto as **Exhibit C**.
10. Section 4.4(d) of the Lease Agreement shall be amended to provide that any Additional Payments required to be paid by the City to National pursuant to Section 4.6 of the Lease Agreement shall constitute fair rental value for the Project.
11. The Issuer must execute the Financial Guaranty Agreement in substantially the form presented by National.

This Commitment may be signed in counterpart by the parties hereto.

¹ Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in that certain Trust Agreement dated as of September 1, 1999, by and among the Issuer and U.S. Bank Trust National Association, as Trustee.

Dated this ___ day of _____, 2016.

National Public Finance Guarantee Corporation

By: _____
Secretary

San Bernardino Joint Powers Financing Authority

By: _____

Title:



**DEBT SERVICE RESERVE
SURETY BOND**

**National Public Finance Guarantee Corporation
Purchase, New York 10577**

Surety Bond No. _____

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of San Bernardino Joint Powers Financing Authority (the "Issuer") under the Trust Indenture dated as of December 1, 1996 between the Issuer and the trustee named therein, as amended and supplemented (the "Document") to U.S. Bank National Association (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations"), provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$1,005,450.00 (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by written or electronic delivery of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any



such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Obligor (the "Financial Guaranty Agreement"); provided, that no premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) January 1, 2023 and (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.



In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this _____ day of _____, 2016.

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Secretary



Attachment 1
Surety Bond No. [POLICY NO.]

DEMAND FOR PAYMENT

_____, 20__

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Attention: President

RE: Debt Service Reserve Fund for the \$16,320,000 original aggregate principal amount San Bernardino Joint Powers Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 (the "Obligations")

Reference is made to Policy No. [POLICY NUMBER] (the "Policy") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on (the "Due Date") in an amount equal to \$_____ (the "Amount Due").

(b) The amounts legally available to the Paying Agent on the Due Date will be \$_____ less than the Amount Due (the "Deficiency").

The Paying Agent hereby requests that payment of the Deficiency be made by the Insurer under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy:

[PAYING AGENT'S ACCOUNT INFORMATION]

[Paying Agent] ABA #:

G.L. Account No #:

FFC TAS #:

Ref:

Attn: Name/Phone number



Beneficiary Address:

[Name of Bank]

[Street Address]

[City, State Zip]

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

U.S. BANK NATIONAL ASSOCIATION

By: _____

Its: _____



Attachment 2
Surety Bond No. [POLICY NO.]

NOTICE OF REINSTATEMENT

_____, 20__

U.S. Bank National Association
[Address]

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the National Public Finance Guarantee Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$_____.

**National Public Finance Guarantee
Corporation**

President

Attest: _____
Secretary



Notices (Unless Otherwise Specified by National)

Email:

ClaimsManagement@mbia.com

Address:

1 Manhattanville Road, Suite 301
Purchase, New York 10577