

RAYMOND JAMES®

February 6, 2025
Matthew Hymel
Executive Director
Marin County Public Financing Authority

Re: Underwriting Agreement for Oak Hill Apartments

Dear Mr. Hymel:

Raymond James & Associates, Inc. ("Raymond James") is pleased to submit this agreement (the "Agreement") to the Marin County Public Financing Authority ("Client") to serve as underwriter (the "Underwriter") for the proposed public offering of tax-exempt municipal bonds or other debt instruments (the "Bonds") in the approximate principal amount of \$95 million to finance the construction of the Oak Hill Apartments (the "Financing").

- 1) During the term of this Agreement, in our capacity as Underwriter, Raymond James proposes to undertake certain activities, including, as appropriate, the following:
 - (a) Advising Client as to the form and structure of the Bonds and prevailing interest rates and market conditions for comparable securities.
 - (b) Assisting in the preparation of a Public Offering Memorandum or other applicable information and offering material (the "Memorandum"). Consistent with paragraph 5, below, responsibility for the contents of such Memorandum shall be solely that of Client and any issuer of the Bonds.
 - (c) Reviewing all related Bond documents.
 - (d) Assisting, contributing, and participating in all discussions with nationally recognized rating agencies for obtaining ratings on the Bonds, if appropriate.
 - (e) Assisting in presentations to potential insurers.
 - (f) Marketing and, if successful, underwriting the Bonds
 - (g) Upon successful marketing, submitting a Bond Purchase Contract for the purchase of the Bonds.

- 2) In order that Client and the Underwriter can best coordinate efforts to effect a financing satisfactory to you, Client grants Raymond James non-exclusive authority to perform the services described herein while working and coordinating with other members of Client's financing team during the term of this Agreement. Should progress in underwriting the Financing become delayed or ineffective in the reasonable judgment of Client, Client reserves the right to initiate or participate in discussions relating to the Financing with underwriters other than Raymond James. Raymond James' compensation for underwriter's services hereunder shall be determined by mutual agreement when the financing approach and structure are finalized and will be reflective of similar types of transactions and credit ratings as reasonably determined between Raymond James, Client, and Client's advisors. The Client and Raymond

James expressly agree that Raymond James' services will be compensable only upon issuance of the Bonds. and only from the issuance of such Bonds, and only if the issuance of such Bonds was arranged or underwritten by Raymond James.

- 3) Client agrees Raymond James' reasonable out-of-pocket expenses incurred as a direct result of its work for Client under this Agreement and pre-approved by Client (such approval not to be unreasonably withheld), including travel and similar charges and fees, shall also be compensable from the proceeds of the Bonds, but only from the issuance of such Bonds, and only if the issuance of such Bonds was arranged or written by Raymond James. Consistent with the foregoing, Underwriter is solely responsible for all of its out-of-pocket expenses if no Bonds are issued for the Project, or if Bonds are issued that were not arranged or underwritten by Raymond James. For the avoidance of doubt, the Client will also be responsible for all fees, costs and expenses incurred by it or on its behalf payable to third parties including by way of example but not limitation, Client's and/or issuer's counsel, any other attorneys, bond counsel, auditors, feasibility consultants, printers, rating agencies and bond trustee.
- 4)
 - (a) Client hereby covenants and agrees that it will indemnify and hold harmless Raymond James, its parent and affiliates, and each of the foregoing entities' officers, directors, employees and agents (the "Raymond James Indemnitees") against any and all losses, claims, demands, damages or liabilities of any kind whatsoever brought by a third party, arising from or out of the acts, omissions or doings of the Client, its representatives, employees or agents (hereinafter, "Claims Against Client"), and will reimburse each of the Raymond James Indemnitees for any legal or other expense reasonably incurred by it in connection with investigating or defending any such Claims Against Client or actions or proceedings arising from such Claims Against Client, whether or not resulting in any liability; provided, however, that Client shall not be liable under the foregoing indemnity and reimbursement provision for any Claims Against Client that are finally determined by a judicial authority or arbitrator to have resulted solely from the gross negligence, willful misconduct, or fraud of any Raymond James Indemnitee.
 - (b) Underwriter hereby covenants and agrees that it will indemnify and hold harmless Client, its representatives, employees or, other agents (the "Client Indemnitees") against any and all losses, claims, demands, damages or liabilities of any kind whatsoever brought by a third party, arising from or out of the acts, omissions or doings of the Underwriter, its representatives, employees or agents (hereinafter, "Claims Against Underwriter"), and will reimburse each of the Client Indemnitees for any legal or other expense reasonably incurred by it in connection with investigating or defending any such Claims Against Underwriter or actions or proceedings arising from such Claims Against Underwriter, whether or not resulting in any liability; provided, however, that Raymond James shall not be liable under the foregoing indemnity and reimbursement provision for any Claims Against Underwriter that are finally determined by a judicial authority or arbitrator to have resulted solely from the gross negligence, willful misconduct, or fraud of any Client Indemnitee.
- 5) The Client understands that the consummation of the transaction will be based upon, among other things, the truth, accuracy and completeness of the information included in the Memorandum, or otherwise provided to Underwriter. The Client agrees that all such information will be true, correct and complete, to the best of its knowledge. Client

and Underwriter acknowledge that information included in the Memorandum, or otherwise provided to Underwriter, will be based on information provided by third parties, including the project developer, that Client has not independently verified. Client will update such information during the course of the underwriting, as appropriate, and will ensure that all projections provided to Underwriter will have been prepared in good faith and based upon reasonable assumptions to the best of Client's knowledge. The Client acknowledges and agrees that Raymond James will rely upon such information and projections without independent verification, if reasonable under the circumstances. Any bond purchase agreement entered into between Raymond James and Client will contain customary indemnification and contribution provisions to indemnify Raymond James and its affiliates and their officers, directors, employees and agents and any person controlling any of the foregoing.

- 6) Client acknowledges and agrees that this Agreement does not constitute a guarantee by Raymond James to underwrite the Bonds. It is understood that Raymond James' obligations under this Agreement are to use reasonable efforts throughout the term of this Agreement to perform the services described herein and that any underwriting of the Bonds will be pursuant to a definitive bond purchase or similar agreement between Client and Raymond James containing customary provisions for transactions of this type, including the delivery of customary opinions, including one or more 10b-5 opinions from counsel to the Client reasonably satisfactory to Raymond James. The Client acknowledges and agrees that Raymond James is being retained to act solely as underwriter for the Bonds, and not as an agent or advisor, and that this Agreement is not intended to confer rights or benefits on any member, affiliate, shareholder or creditor of Client or any other person or entity or to provide Client or any other person with any assurances that the transaction will be consummated. Underwriter shall act as an independent contractor under this Agreement, and not in any other capacity, including as a fiduciary. Client acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction between Client and the Underwriter in which Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Client; (ii) Underwriter has not assumed any advisory or fiduciary responsibility to the Client with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Raymond James has provided other services or is currently providing other services to the Client on other matters); (iii) the only obligations Underwriter has to the Client with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the Client has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.
- 7) Raymond James will enter into a definitive agreement to underwrite the Bonds if and only if the security, structure, disclosure and other aspects of the issue are satisfactory in all respects to Raymond James. Without limiting the generality of the foregoing, the approval of Raymond James management and its appropriate internal credit committee(s), based upon independent internal credit review and analysis of the Bonds and the Financing, will be required for Raymond James to serve as investment banker and underwriter for the Bonds. Client acknowledges and agrees that if either Raymond James management or the appropriate Raymond James internal credit committee

does not approve such underwriting, Raymond James' obligations under this Agreement will terminate immediately, with no liability to Raymond James.


- 8) You should be aware that the Underwriter or its affiliates may have trading and other business relationships with other participants in the proposed transaction, including with potential purchasers of the Bonds. These relationships include, but may not be limited to, trading lines, frequent purchases and sales of securities and other engagements through which the Underwriter may have, among other things, an economic interest. In addition, you should be aware that the primary role of an underwriter is to purchase, or arrange for the placement of, securities in an arm's-length commercial transaction between the issuer and the underwriter and that the Underwriter has financial and other interests that differ from those of the issuer. Notwithstanding the foregoing, **the Underwriter will not receive any compensation with respect to the services rendered pursuant to this Agreement other than as disclosed above or otherwise disclosed to Client.** The Underwriter is involved in a wide range of activities from which conflicting interests or duties may arise. Information which is held elsewhere within Raymond James, but of which none of the Underwriter's personnel involved in the proposed transaction actually has knowledge, will not for any purpose be taken into account in determining the Underwriter's responsibilities to you. Attached to this letter are regulatory disclosures required by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board to be made by the Underwriter at this time because of this engagement, the receipt of which is hereby acknowledged. The Underwriter may be required to send Client additional disclosures regarding the material financial characteristics and risks of such transaction or describing those conflicts. At that time, the Underwriter also will seek Client's acknowledgement of receipt of any such additional disclosures.
- 9) The term of this Agreement shall commence on the date of this Agreement and shall continue until the closing of the Financing. Either Client or Raymond James may terminate this Agreement in its sole discretion upon 30 days' written notice without liability to the other for any compensation or reimbursement whatsoever. The parties' mutual indemnification obligations shall survive any termination of this Agreement.
- 10) No opinion or advice of Raymond James shall be reproduced, disseminated, quoted or referred to at any time without the prior written consent of Raymond James. Upon the completion of the financing, we will be entitled to advertise the transaction in publications and at times selected by us at our own expense.
- 11) No waiver, amendment or other modification of this Agreement shall be effective unless in writing and signed by each party hereto.
- 12) The exclusive venue for any dispute between the parties hereto concerning or arising under this Agreement shall be Marin County Superior Court. This Agreement shall be interpreted under California law.

We look forward to working with you and other members of your financing team on this important assignment.

Please sign below to evidence acceptance of the terms of this Agreement and return one executed copy to me.

Sincerely yours,

RAYMOND JAMES & ASSOCIATES, INC.

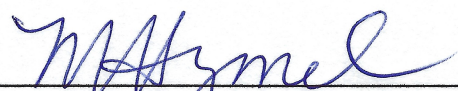
By:  _____

Name: Stephen Field

Title: Managing Director

Accepted and agreed to:

CLIENT

By:  _____

Name: Matthew Hymel

Title: Executive Director MCPFA

Dated: 2/6, 2025

Enclosure: Raymond James G-17 Disclosures

RAYMOND JAMES

December 20, 2024

Marin County Public Financing Authority
3501 Civic Center Drive
San Rafael, CA 94903

Attn: Matthew Hymel, Executive Director

Re: Engagement of and Disclosures by Senior Managing Underwriter
Pursuant to SEC Municipal Advisor Rule and MSRB Rule G-17
Oak Hill Workforce Housing Financing

Dear Matthew:

We are writing to confirm our underwriting engagement and provide you, as Executive Director of Marin County Public Financing Authority (“Issuer”), with certain disclosures relating to the captioned bond issue (the “Bonds”), as required by the Securities and Exchange Commission’s Municipal Advisor Rule, and the Municipal Securities Rulemaking Board (“MSRB”) Rule G-17 as set forth in MSRB Notice 2019-20 (Nov. 8, 2019).¹

The Issuer hereby confirms and engages Raymond James & Associates, Inc. (“RJA”), to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as senior managing underwriter, RJA may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks described in this letter will be borne by the obligor or borrower (“Obligor”) as set forth in those legal documents.

The following G-17 conflict of interest disclosures are now broken down into three types, including: (I) dealer-specific conflicts of interest disclosures (if applicable), (II) transaction-specific disclosures (if applicable), and (III) standard disclosures.

I. Dealer-Specific Conflicts of Interest Disclosures

RJA has identified the following potential or actual dealer-specific material conflicts or business relationships we wish to call to your attention. When we refer to *potential* material conflicts throughout this letter, we refer to ones that are reasonably likely to mature into *actual* material conflicts during the course of the transaction, which is the standard required by MSRB Rule G-17.

In the ordinary course of its various business activities, RJA and its affiliates, officers, directors, and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. RJA and its affiliates also may communicate independent investment recommendations, market

¹ Revised Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective Mar. 31, 2021).

advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Additionally, in the ordinary course of its business, RJA and its affiliates may have engaged, and may in the future engage, in transactions with, and perform services for, the Issuer and its affiliates, including without limitation, investment bidding agent services, for which they received or will receive customary fees and expenses.

Further, we understand that the Issuer may, in certain situations, use a portion of the proceeds from the issuance of the Bonds to refund certain of the Issuer's outstanding securities (the "Refunded Bonds"). To the extent that RJA or an affiliate thereof owns Refunded Bonds, RJA or its affiliate, as the case may be, would receive a portion of the proceeds from the issuance of the Bonds.

II. Transaction-Specific Disclosures

- Disclosures Concerning Complex Municipal Securities Financing:
 - Because we have recommended to the Issuer a financing structure that may be a "complex municipal securities financing" for purposes of MSRB Rule G-17, attached is a description of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at this time.

III. Standard Disclosures

- Disclosures Concerning the Underwriters' Role:
 - MSRB Rule G-17 requires an underwriter to deal fairly at all times with both issuers and investors.
 - The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.
 - Unlike a municipal advisor, an underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests.
 - The Issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the Issuer's interest in this transaction.
 - The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.
 - The underwriters will review the official statement for the Bonds in accordance with, and a part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction. Under federal securities law, an

issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

- Disclosures Concerning the Underwriters' Compensation:
 - The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

Please note that nothing in this letter should be viewed as a commitment by the underwriters to purchase or sell all the Bonds and any such commitment will only exist upon the execution of any bond purchase agreement or similar agreement and then only in accordance with the terms and conditions thereof.

Either (x) you have been identified by the Issuer as a primary contact for the Issuer's receipt of these disclosures, or (y) it is our understanding that you have the authority to bind the Issuer by contract with us; and, in either case, you are not a party to any disclosed conflict of interest relating to the subject transaction. If the preceding sentence is incorrect, please notify the undersigned immediately.

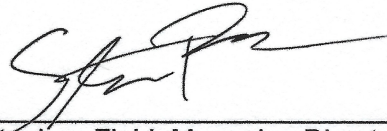
Under SEC and MSRB Rules, we are required to both (i) confirm our role and engagement as underwriter of the Bonds, and (ii) seek your acknowledgement that you have received this letter. Accordingly, please send me an email **both** (1) confirming that RJA is engaged as underwriter of the Bonds, **and** (2) acknowledging your receipt hereof. Alternatively, you may sign, scan, and return this letter to me via email.

Depending on the structure of the transaction that the Issuer decides to pursue, or if additional actual or potential material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We look forward to working with you and the Issuer in connection with the issuance of the Bonds. We appreciate your business.

Sincerely,

RAYMOND JAMES & ASSOCIATES, INC.

By: 
Stephen Field, Managing Director

Confirmed and Acknowledged:

Marin County Public Financing Authority

By: 
Matthew Hymel, Executive Director

Date: 2/6/25

CC: Mark Pressman, *Wulff, Hansen & Co.*
Rob Pankratz, *Wulff, Hansen & Co.*
Bruce Dorfman, *Education Housing Partners*
Joanna Julian, *Education Housing Partners*

Attached: Financing Disclosures

Fixed Rate Structure Disclosure (3.31.21)

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds (“Fixed Rate Bonds”), as well as a general description of certain financial risks that are known to us and reasonably foreseeable at this time and that you should consider before deciding whether to issue Fixed Rate Bonds. If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to us. In addition, you should consult with your financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate.

If you decide that you would like to pursue this financing alternative, we may provide you with additional information more specific to your issue.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks described below will be borne by the obligor, as set forth in those legal documents. A copy of our disclosure letter is also being sent to the obligor. In such case, any reference below to “you” or “your” shall refer to the obligor, unless otherwise noted because of transaction’s terms.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities, whether for their benefit or as a conduit issuer for a nongovernmental entity. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.²

² The discussion of security characteristics is limited to general obligation and revenue bond structures. This summary should be expanded and modified, as necessary, for other security structures, such as bonds that are secured by a double-barreled pledge (general obligation and revenues), annual appropriations or a moral obligation of the issuer or another governmental entity. If the security for the bonds is known at the time this disclosure is provided to the issuer, include only those portions relevant to the actual security for the bonds.

General Obligation Bonds. “General obligation (GO) bonds” are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. The debt service on “unlimited tax” GO bonds are paid from ad valorem taxes which are not subject to state constitutional property tax millage limits, whereas “limited tax” GO Bonds are subject to such limits.

General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or principal, the holders of general obligation bonds generally will have certain rights under state law to compel you to impose a tax levy.

Revenue Bonds. “Revenue bonds” are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit, and you (or, if you are a conduit issuer, the obligor, as described in the following paragraph) are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

Some revenue bonds (conduit revenue bonds) may be issued by a governmental issuer acting as a conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

The description above regarding “Security” is only a summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all the following (generally, the obligor, rather than the issuer, will bear these risks for conduit revenue bonds):

Issuer Default Risk. You may be in default if the funds pledged to secure your bonds are not enough to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds, you may be required

to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. If interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk. If your financing plan contemplates refinancing some or all the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required.

Reinvestment Risk. You may have proceeds from the issuance of the bonds available to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as “negative arbitrage”.

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to several requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If tax-exempt bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

Capital Appreciation Bonds (3.31.21)

The following is a general description of the financial characteristics of Capital Appreciation Bonds (“CABs”), as well as a general description of certain financial risks that are known to us and reasonably foreseeable at this time and that you should consider before deciding whether to issue CABs. If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to us. In addition, you should consult with your financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate.

As the Issuer of the CABs, the issuer will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the CABs, but the material financial risks described below will be borne by the obligor, as set forth in those legal documents. A copy of our disclosure letter is also being sent to the obligor. In such case, any reference below to “you” or “your” shall refer to the obligor, unless otherwise noted because of the transaction’s terms

Financial Characteristics

CABs are bonds that are typically sold at a price less than their par amount (i.e., an “*original issue discount*”). The difference between the sales price and the par amount is considered the original issue discount. CABs typically do not pay interest periodically like traditional Current Interest Bonds (“CIBs”), but rather pay interest only at maturity. CABs accrete in value at a stated yield as interest accrues, regardless of the current market rate. At maturity, investors receive an amount equal to the initial principal invested plus the interest earned, compounded at the stated yield.

Convertible CABs are a hybrid structure in which the bonds accrete in value while in the CAB mode and then pay annual principal and semi-annual interest as a traditional CIB after the conversion date. The interest and principal paid after the conversion date is based on the accreted value of the bonds at the conversion date instead of the original par value.

CABs may be attractive to issuers because they defer debt service payments until maturity and relieve pressure on an issuer’s annual debt service budget. They may also allow issuers to smooth out debt service payments in their annual budgets by issuing CABs structured or scheduled to mature in years in which other series of bonds do not mature, or in the years between the last serial bond and the start of mandatory term bond calls.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of CABs, including some or all the following (generally, the obligor, rather than the issuer, will bear these risks for conduit revenue bonds):

Issuer Default Risk. Depending on how the CABs are structured, the maturity value may be a substantial amount. You may be in default if the funds pledged to secure your CABs are not enough to pay debt service on the CABs when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the CABs are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the CABs. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities

at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the CABs prior to maturity may be limited, depending on the terms of any optional redemption provisions. CABs are generally not subject to optional redemption by issuers until the maturity date thereof. If interest rates in the market decline, you may be unable to take advantage of the lower interest rates to reduce debt service if the CABs cannot be redeemed.

Refinancing Risk. If your financing plan contemplates refinancing some or all the CABs at maturity, market conditions or changes in law may limit or prevent you from refinancing those CABs when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the CABs to take advantage of lower interest rates.

Interest Rate Penalty. While CABs may allow you to defer interest payments until maturity of the bond, investors require significantly higher yield to forgo traditional semi-annual interest payments. The higher yields, together with the potential of reduced flexibility to optionally redeem the CABs prior to maturity, may result in higher total debt costs than if you had issued CIBs. This may be exacerbated if the financial assumptions underlying the issuance of CABs are ultimately incorrect.

Interest Payment Deferral. As the interest rates on CABs is generally higher than CIBs and accretes over the life of the CABs, you must prepare for an even higher debt service that will be due and payable at the stated maturity of CABs. Rather than paying the remaining principal and the final semi-annual coupon payment at maturity for traditional long-term fixed rate bonds, you will be required to pay all the principal and all of the interest that will have compounded from the issuance date through maturity. Convertible CABs carry the inherent risk that, upon conversion from CABs to CIBs, the CIBs will require semi-annual interest payments.

Limited Investor Base. Due to the unique characteristics of CABs, there may be a limited universe of potential investors. This could lead the underwriters to have difficulty selling the CABs, and which could result in higher yields and higher total debt costs. Additionally, you should consider that CABs may price at a substantial yield concession to current interest fixed rate bonds as investors value the structure relative to other product alternatives.

Reinvestment Risk. You may have proceeds of the CABs to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the yield on the CABs, which is referred to as “negative arbitrage.”

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to several requirements under the U.S. Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on

the CABs (if issued as tax-exempt obligations) to become taxable retroactively to the date of issuance of the CABs, which may result in an increase in the interest rate that you pay on the CABs. The IRS also may audit you or your CABs or other bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the CABs are declared taxable, or if you are subject to audit, you may be unable to remarket or refinance the CABs. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding the tax implications of issuing CABs.