



August 5, 2020

Michael Garcia
mgarcia@brandistallman.com

Subject: Town of Fairfax, California
Taxable Pension Obligation (the “2020 Loan”)

Dear Michael:

This term sheet is presented in connection with our discussions regarding the above-referenced potential Loan transaction. Capital One Public Funding, LLC (“COPF”) is very interested in working with the Town of Fairfax, California (“Borrower” or “Town”) in connection with the above-described potential Loan transaction.

We very much hope to maintain our credit relationship with the Town. As such, COPF—as 100% assignee of that certain Lease Agreement between the Fairfax Financing Authority (“Authority”) and the Town (the “2017 Loan”)—will, if appointed to fund the 2020 Loan, adjust certain prepayment terms of the 2017 Loan.

Specifically, the 2017 Loan is currently not subject to prepayment until June 15, 2023, at which time it may be prepaid at a price of 102% of remaining outstanding principal. In connection with the 2020 Loan, COPF shall allow the Town to prepay all of the 2017 Loan principal installment payments due and payable from 06/15/21 through 6/15/37 (the final maturity) at a price of **100%** of the principal to be prepaid plus accrued interest to the date of prepayment.

The 2017 Loan principal installment due on 12/15/20 shall not be retired at the closing of the 2020 Loan, but rather shall be defeased.

Security

The 2017 Loan is secured by a Site and Facility Lease relating to the following four properties (the “2017 Leased Town Property”) collectively valued, on a replacement basis, at \$4.6 million:

- Town Hall, 142 Bolinas Road;
- Corporation Yard, 142 Bolinas Road;
- Pavilion, 142 Bolinas Road; and
- Fire Station, 10 Park Road.

The 2020 Loan shall be secured by the 2017 Leased Town Property *and* Town public streets with verified replacement value of the \$10 million (together, the “2020 Loan Collateral”).

The 2020 Loan documentation shall provide that, in the event of damage to or destruction of all or a portion of the 2020 Loan Collateral owing to earthquake or other uninsured casualty for which the proceeds of rental interruption insurance are not available, at the request of COPF, Town shall promptly after the occurrence of such event substitute property for or add other property that is unimpaired and unencumbered to the 2020 Loan Collateral such that the fair rental value of the 2020 Loan Collateral is at least equal to the lease payments due during each fiscal year for the remainder of the term of the 2020 Loan.



Interest Rate

The proposed 2020 Loan rate is 3.45%. The rate may be subject to change if the contemplated Loan is not closed by September 30, 2020.

Prepayment

The proposed 2020 Loan prepayment provisions are:

Closing to 12/15/29: not prepayable
12/16/29 to 12/15/30: 102%
12/16/30 and thereafter: 100%

Documentation

Loan documentation shall be prepared by Quint & Thimmig LLP subject to review by COPF and KMTG. Borrower shall provide, at its expense, an opinion of legal counsel (acceptable to COPF) attesting to the legal, valid, and binding nature of the transaction. Upon selection of COPF, the Borrower shall provide COPF the draft authorizing document for its review and comment.

Costs of Issuance

The Borrower shall be responsible for normal borrower costs of issuance including a financial advisor, placement agent and bond counsel. The Borrower shall also cover \$7,500 (not-to-exceed) of COPF's legal fees.

Direct Purchase

The Loan shall be directly funded/purchased by (and registered in the name of) COPF and delivered in physical, non-book-entry, certificated form. The Loan shall not be (i) assigned a separate rating by any rating agency; (ii) registered with the Depository Trust Company or any other securities depository; (iii) issued pursuant to any type of official statement, private placement memorandum or other offering document; or (iv) assigned a CUSIP number.

Audited Financial Statements

Upon request, as soon as available, the Borrower shall annually provide COPF a copy of its audited financial statements as of the end of the fiscal year.

Municipal Advisor Rules

This term sheet is provided to the Lessee pursuant to and in reliance upon the "bank exemption" provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 seq.

Role of Capital One Public Funding, LLC

The Borrower acknowledges and agrees that: (i) the information contained in this term sheet is for discussion purposes only and sets forth certain proposed terms and conditions of an arm's-length commercial transaction between the Borrower and COPF and does not constitute advice, an opinion or a recommendation by COPF; (ii) the Borrower will make its own determination regarding whether to enter into the proposed transaction and the terms thereof, and will consult with and rely on the advice of its own financial, accounting, tax, legal and other advisors; (iii) COPF is acting solely for its own account in connection with the proposed transaction, and is not acting as a municipal advisor, financial advisor, agent or fiduciary to the Borrower or any other person or entity (including to any financial advisor or placement agent engaged by the Borrower) and the Borrower, its financial advisor and placement agent are free to retain the services of such advisors (including as it relates to structure, timing, terms and similar matters and compliance with legal requirements applicable to such parties) as it deems necessary or appropriate; (iv) COPF has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and



procedures leading thereto; (v) neither COPF nor any of its affiliates is acting as a broker, dealer, underwriter or placement agent with respect to the transactions contemplated hereby; (vi) the only obligations COPF has to the Borrower with respect to the transaction contemplated hereby expressly are set forth in this term sheet; and (vii) COPF is not recommending that the Borrower take an action with respect to the transaction contemplated by this term sheet. Before taking any action with respect to the Loan, the Borrower should discuss the information contained herein with the Borrower's own legal, accounting, tax, financial and other advisors, as it deems appropriate. If the Borrower would like a municipal advisor in this transaction that has legal fiduciary duties to it, Borrower is free to engage a municipal advisor to serve in that capacity.

Other Information

To the extent that updated financial and other credit materials have not already been provided to COPF or are not available through public resources, COPF may require and request the following: audited and unaudited financial statements; budgets; information on outstanding bond issues, lease transactions, and contingent/material liabilities; tax base details; and other reasonable and customary information relevant to the Borrower's credit quality and the source of repayment.

Confidentiality

The information contained herein is strictly confidential and is intended for review by the parties, their advisors and legal counsel only and may not be disclosed to any other person or entity, except as required by law or otherwise consented to by COPF.

Closing

Closing is anticipated to take place on September 24, 2020. The funding of the Loan will occur only after, among other things, COPF, the Borrower, and their respective counsels are fully satisfied with the terms of the Loan documents and all of the terms and conditions contained herein and in the Loan documents have been met.

Term Sheet Expiration

This term sheet shall expire if not accepted by the Borrower by August 21, 2020. Once accepted, this Term Sheet shall expire if the transaction has not closed by September 30, 2020, unless extended by COPF at its sole discretion.

Subject to Final Credit Approval

Specifically, but without limitation, this Term Sheet has not yet received all necessary internal and committee approvals of COPF. Any obligation of COPF to provide financing or otherwise shall arise only upon the execution of final Loan documents signed by authorized signatories of COPF and not from statements (oral or written) made during the course of discussions among the parties (whether or not prior to or after the date hereof).

Should the above-stated terms be acceptable to you, formal approval through COPF's internal credit process will be pursued as quickly as possible.

Thank you for the opportunity to offer this term sheet. Should you have any questions, please do not hesitate to contact me at 505.503.7629 or jeffrey.sharp@capitalone.com.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey D. Sharp".



Jeffrey D. Sharp
Senior Vice President, Director of Business Development
Capital One Public Funding, LLC

cc: Jonathan Lewis, Capital One Public Funding, LLC
Brenda Barnes, Capital One Public Funding, LLC

ACCEPTED BY: Town of Fairfax, California

By

Name

Title