



The State Bar of California

OPEN SESSION AGENDA ITEM JULY 2021 FINANCE COMMITTEE III.D

DATE: July 1, 2021

TO: Members, Finance Committee

FROM: Wallace Tang, Chief Financial Officer

SUBJECT: Approval of (1) Refinancing of the 2016 Bank of America Loan (Related to 180 Howard Street) and (2) Financing of Additional Capital Projects

EXECUTIVE SUMMARY

This agenda item requests that the Finance Committee of the Board of Trustees (1) select the bank with the best interest rate for a refinancing of the 2016 Bank of America Loan that was used to finance improvements to the State Bar of California's building in San Francisco, and financing of additional capital projects; (2) direct staff to proceed with a loan term of 10, 15, 20, or 25 years; and (3) direct staff to finalize the related legal documents, in each case subject to final approval by the Board of Trustees. The final loan documents and resolutions will be presented to the Board of Trustees for approval on July 23, 2021.

BACKGROUND

2016 BofA Loan

On March 29, 2016, the State Bar borrowed \$10,000,000 (2016 BofA Loan) from Bank of America, N.A. (BofA) pursuant to a Real Estate Loan Agreement, for the purpose of financing the costs of capital improvements located at The State Bar's San Francisco office building located at 180 Howard Street, San Francisco. The 2016 BofA Loan bears a federally taxable fixed interest rate of 4.62 percent per year and is due on April 1, 2026, with a monthly payment of \$104,217.84. The total annual debt service payment is \$1,250,614.08. The loan agreement also contains certain covenants including the requirement of a \$2,501,228.16 debt service reserve

fund with Bank of America. As of July 1, 2021, the outstanding loan balance for the 2016 BofA Loan is \$5,327,876, and the projected loan balance as of the estimated loan closing date for the new loan of August 12, 2021, is \$5,244,170.

COVID-19 has provided an opportunity to reduce our annual interest costs. The Federal Reserve has significantly reduced the Federal Funds Rate resulting in the 10-Year Treasury going from 1.88 percent on January 1, 2020 to 1.45 percent as of June 18, 2021. This represents a decline of 0.43 of a percentage point since the beginning of the last fiscal year. This change in the market has provided an opportunity to refinance the 2016 BofA Loan at a lower rate and extend the remaining term to provide substantial cash flow relief to the State Bar, especially with the loss of revenue from investment earnings.

Because the 2016 BofA Loan financed improvements to the State Bar's San Francisco office building that are used (or expected to be used) by private tenants, The State Bar will refinance the federally taxable 2016 BofA Loan on a federally taxable basis.

2021 Capital Projects

Staff is also recommending that the State Bar finance (i) improvements to the San Francisco office building, (ii) improvements to the State Bar's Los Angeles office building located at 845 South Figueroa Street, Los Angeles, California and (iii) the acquisition of certain hardware and software necessary for State Bar operations (collectively, 2021 Capital Projects). The State Bar will finance the 2021 Capital Projects that will be used by the State Bar on a federally tax-exempt basis (\$12,985,800), and the portion of the 2021 Capital Projects that will be used by private tenants on a federally taxable basis or with available cash (\$5,783,200).

2021 Capital Projects (\$ thousands)			
Project	Tax-Exempt	Taxable	Total
HVAC	\$2,781.70	\$1,608.30	\$4,390.00
Fire/Life Safety	\$496.80	\$403.20	\$900.00
Generator	\$2,742.90	\$2,226.10	\$4,969.00
Elevators	\$1,738.80	\$1,411.20	\$3,150.00
Floor 4 Restroom ADA	\$165.60	\$134.40	\$300.00
Oracle Fusion	\$1,385.00	-	\$1,385.00
Licensee Info System	\$3,500.00	-	\$3,500.00
Disaster Recovery	\$175.00	-	\$175.00
Total:	\$12,985.80	\$5,783.20	\$18,769.00
Funded by 2020 & 2021 Fee Bill Revenues	\$0	\$3,600.00	\$3,600.00
Total Financed Amount:	\$12,985.80	\$2,183.20	\$15,169.00

DISCUSSION

On June 18, 2021, the State Bar of California received financing term sheets from five banks. A summary of the terms proposed by the various banks is attached as Attachment A.

The State Bar's financing team has reviewed all the terms sheets and identified Bank No. 4 terms as being most advantageous to the State Bar. Staff is requesting the Finance Committee to (1) select the bank with the best terms for the proposed refinancing of 2016 BofA Loan and financing of additional capital projects, (2) direct staff to proceed with a loan length term of 10, 15, 20, or 25 years, and (3) direct staff to finalize the related legal documents, in each case subject to final approval by the Board of Trustees.

Proposed Term Sheets & New Loan Analysis –The table below shows the 10-, 15-, 20-, and 25-year options presented by Bank No. 4 as referenced in Attachment A.

Tax-Exempt Financing Terms from Bank No. 4 (New Money Loan)

	Term Sheet	Term Sheet	Term Sheet	Term Sheet
Term	10 Years	15 Years	20 Years	25 Years
Final Payment Date	9/30/2031	9/30/2036	9/30/2041	9/30/2046
Par Amount	\$13,081,000	\$13,081,000	\$13,081,000	\$13,081,000
Interest Rate	2.07%	2.30%	2.61%	2.99%
All-In True Interest Cost (TIC)	2.20%	2.40%	2.69%	3.06%
Average Annual Debt Service*	\$1,470,754	\$1,038,512	\$837,736	\$734,399
Total Debt Service	\$14,753,418	\$15,628,655	\$16,812,574	\$18,426,237

**Excludes the 2021 partial year payment in the calculation.*

Taxable Financing Terms from Bank No. 4 (New Money and Refunding Loan)

	Term Sheet	Term Sheet	Term Sheet	Term Sheet	Current 2016 BofA Loan
Term	10 Years	15 Years	20 Years	25 Years	10 Years (original term)
Final Maturity Date	9/30/2031	9/30/2036	9/30/2041	9/30/2046	4/1/2026
Total Par Amount	\$7,489,800	\$7,489,800	\$7,489,800	\$7,489,800	\$10,000,000
New Money	\$2,199,200	\$2,199,200	\$2,199,200	\$2,199,200	(original loan amount)
Refunding	\$5,290,600	\$5,290,600	\$5,290,600	\$5,290,600	
Interest Rate	2.76%	3.07%	3.48%	3.99%	4.26%
All-In True Interest Cost (TIC)	2.95%	3.20%	3.59%	4.08%	N/A

Average Annual Debt Service **	\$1,561,800	\$1,565,700	\$1,107,800	\$887,200	\$1,250,614
New Money Refunding	\$1,132,300 \$611,000	\$1,136,511 \$446,800	\$1,142,300 \$373,800	\$1,149,700 \$341,100	
Gross Savings (\$)	(\$259,696)	(\$812,818)	(\$1,561,281)	(\$2,586,280)	-
Net Present Value Savings (NPV) (\$)**	\$142,937	\$9,795	(\$122,643)	(\$281,585)	N/A
NPV Savings (%)***	2.73%	0.19%	(2.34%)	(5.37%)	N/A

** Excludes the 2021 partial year payment in the calculation.

*** Applies to Refunding component only.

Redemption and Other Provisions for the Tax-Exempt and Taxable Loans from Bank No. 4.

	Term Sheet	Term Sheet	Term Sheet	Term Sheet
Term	10 Years	15 Years	20 Years	25 Years
Call Options	Years 1–2, 102% Years 3–5, 101% Thereafter, 100%	Years 1–4, 102% Years 5–8, 101% Thereafter, 100%	Years 1–5, 102% Years 6–10, 101% Thereafter, 100%	Years 1–6, 102% Years 7–12, 101% Thereafter, 100%
Extraordinary Redemption	In the event the San Francisco building is sold, the Loans may be prepaid without penalty beginning one year after closing date.			
Extraordinary Partial Redemption	In the event additional square footage of the San Francisco building is occupied with private use tenants, the loans may be prepaid without penalty as necessary to comply with federal income tax law.			
Reserve Fund	\$0	\$0	\$0	\$0
Lender Costs	\$0	\$0	\$0	\$0

Loan Amount

Depending on the length and terms of the loan recommended by the Finance Committee, it is anticipated that the total new loan amount, including refinancing of 2016 BofA Loan and financing 2021 Capital Projects, will be approximately \$20, 570,800. Upon the close of this refinancing of 2016 BofA Loan, the cash reserve fund currently held by Bank of America for the 2016 BofA Loan will be returned to the State Bar. Below is summary of the new loan amounts.

	2021 Capital Projects		Refunding of	
	Tax-Exempt	Taxable	2016 BofA Loan	Total
Project Fund	\$12,985,800	\$2,183,200	\$0	\$15,169,000
Escrow Fund	N/A	N/A	\$5,251,600	\$5,251,600
Costs of Issuance	\$95,000	\$16,000	\$39,000	\$150,000
Total Par	\$13,081,000	\$2,199,200	\$5,290,600	\$20,570,800

Application of Existing Reserve Fund

None of the options presented to the Committee require a debt service reserve fund. The current reserve of \$2,501,228.16 with Bank of America will be returned to the State Bar once the 2016 Loan is paid off. The reserve will be unrestricted and returned to the General Fund.

Evaluation of Term Sheets & Recommendation

All terms presented are fair and reasonable; but, after a thorough review, the tax-exempt 15 Year Term at 2.30 percent is the most attractive. However, it does impose a prepayment premium of 2 percent for prepayments in years 1–4 and 1 percent for prepayments in years 5–8. Additionally, the taxable 10 Year Term at 2.76 percent is the most attractive, and the prepayment premium is 2 percent for prepayment in years 1–2 and 1 percent for prepayments in years 3–5. The net present value savings of the 10 Year option is \$142,937 and, in order to generate immediate cash flow savings, debt service would be extended by five years and total payments would increase by \$259,696. Average annual payments will be \$602,000 in comparison to the 2016 BofA Loan of \$1,250,614, a difference of approximately \$648,614. The total payments with interest through 2031 are estimated at \$6,099,949 in comparison to the 2016 BofA Loan of \$5,840,253.

Estimated Annual Payments – 2021 Capital Projects and Refunding of 2016 BofA Loan

		<u>Tax-Exempt</u>		<u>Taxable</u>		<u>TOTAL</u>		
		<u>15 Years</u>		<u>10 Years</u>		<u>New Money</u>	<u>Refunding</u>	<u>Total</u>
		<u>New Money</u>		<u>New Money</u>	<u>Refunding</u>			
Interest Rate		2.30%		2.76%			n.a.	
All-In True Interest Cost		2.40%		2.95%			2.53%	
	<u>FY</u>	<u>Annual</u>		<u>Annual</u>		<u>Annual</u>	<u>Annual</u>	<u>Annual</u>
	<u>Ending</u>	<u>Payment</u>		<u>Payment</u>	<u>Payment</u>	<u>Payment</u>	<u>Payment</u>	<u>Payment</u>
	12/31/2021	\$50,979		\$10,285	\$80,262	\$61,263	\$80,262	\$141,526
1	12/31/2022	300,857		1,499,143	601,969	1,800,000	601,969	2,401,969
2	12/31/2023	1,033,738		766,262	601,969	1,800,000	601,969	2,401,969
3	12/31/2024	1,800,000		-	601,969	1,800,000	601,969	2,401,969
4	12/31/2025	1,036,807		-	601,969	1,036,807	601,969	1,638,776
5	12/31/2026	1,036,807		-	601,969	1,036,807	601,969	1,638,776
6	12/31/2027	1,036,807		-	601,969	1,036,807	601,969	1,638,776
7	12/31/2028	1,036,807		-	601,969	1,036,807	601,969	1,638,776
8	12/31/2029	1,036,807		-	601,969	1,036,807	601,969	1,638,776
9	12/31/2030	1,036,807		-	601,969	1,036,807	601,969	1,638,776
10	12/31/2031	1,036,807		-	601,969	1,036,807	601,969	1,638,776
11	12/31/2032	1,036,807		-	-	1,036,807	-	1,036,807
12	12/31/2033	1,036,807		-	-	1,036,807	-	1,036,807
13	12/31/2034	1,036,807		-	-	1,036,807	-	1,036,807
14	12/31/2035	1,036,807		-	-	1,036,807	-	1,036,807
15	12/31/2036	1,036,807		-	-	1,036,807	-	1,036,807
		\$15,627,258		\$2,275,690	\$6,099,949	\$17,902,948	\$6,099,949	\$24,002,897

Estimated Savings Results – Refunding of 2016 BofA Loan

Option	10 Years				15 Years				20 Years				25 Years			
Interest Rate	2.76%				3.07%				3.480%				3.99%			
Estimated Savings																
Gross Savings (\$)	(\$259,696)				(\$812,818)				(\$1,561,281)				(\$2,586,280)			
Net Present Value Savings (\$)	\$142,937				\$9,795				(\$122,643)				(\$281,585)			
Net Present Value Savings (%)	2.73%				0.19%				-2.34%				-5.37%			
Annual Payments																
FY	Existing Annual Payments	Gross Annual Payments	Gross Annual Savings	Net PV Annual Savings	Gross Annual Payments	Gross Annual Savings	Net PV Annual Savings	Gross Annual Payments	Gross Annual Savings	Net PV Annual Savings	Gross Annual Payments	Gross Annual Savings	Net PV Annual Savings			
Ending																
12/30/2021	\$416,871 (a)	\$80,262	\$336,609	\$335,082	\$58,617	\$358,254	\$356,592	\$49,017	\$367,855	\$365,930	\$44,703	\$372,168	\$369,944			
1 12/30/2022	1,250,614	601,969	648,645	636,121	439,630	810,984	794,389	367,626	882,988	862,369	335,273	915,341	890,826			
2 12/30/2023	1,250,614	601,969	648,645	620,938	439,630	810,984	774,659	367,626	882,988	838,074	335,273	915,341	862,111			
3 12/30/2024	1,250,614	601,969	648,645	606,117	439,630	810,984	755,419	367,626	882,988	814,463	335,273	915,341	834,322			
4 12/30/2025	1,250,614	601,969	648,645	591,650	439,630	810,984	736,658	367,626	882,988	791,517	335,273	915,341	807,429			
5 12/30/2026	420,925	601,969	(181,043)	(157,539)	439,630	(18,705)	(13,060)	367,626	53,299	50,254	335,273	85,652	77,370			
6 12/30/2027		601,969	(601,969)	(522,226)	439,630	(439,630)	(379,173)	367,626	(367,626)	(310,741)	335,273	(335,273)	(276,499)			
7 12/30/2028		601,969	(601,969)	(509,762)	439,630	(439,630)	(369,756)	367,626	(367,626)	(301,988)	335,273	(335,273)	(267,587)			
8 12/30/2029		601,969	(601,969)	(497,596)	439,630	(439,630)	(360,574)	367,626	(367,626)	(293,480)	335,273	(335,273)	(258,962)			
9 12/30/2030		601,969	(601,969)	(485,720)	439,630	(439,630)	(351,619)	367,626	(367,626)	(285,213)	335,273	(335,273)	(250,615)			
10 12/30/2031		601,969	(601,969)	(474,127)	439,630	(439,630)	(342,887)	367,626	(367,626)	(277,178)	335,273	(335,273)	(242,538)			
11 12/30/2032					439,630	(439,630)	(334,371)	367,626	(367,626)	(269,370)	335,273	(335,273)	(234,720)			
12 12/30/2033					439,630	(439,630)	(326,067)	367,626	(367,626)	(261,781)	335,273	(335,273)	(227,155)			
13 12/30/2034					439,630	(439,630)	(317,970)	367,626	(367,626)	(254,407)	335,273	(335,273)	(219,833)			
14 12/30/2035					439,630	(439,630)	(310,073)	367,626	(367,626)	(247,240)	335,273	(335,273)	(212,748)			
15 12/30/2036					439,630	(439,630)	(302,372)	367,626	(367,626)	(240,275)	335,273	(335,273)	(205,891)			
16 12/30/2037								367,626	(367,626)	(233,506)	335,273	(335,273)	(199,255)			
17 12/30/2038								367,626	(367,626)	(226,928)	335,273	(335,273)	(192,832)			
18 12/30/2039								367,626	(367,626)	(220,535)	335,273	(335,273)	(186,617)			
19 12/30/2040								367,626	(367,626)	(214,323)	335,273	(335,273)	(180,602)			
20 12/30/2041								367,626	(367,626)	(208,285)	335,273	(335,273)	(174,781)			
21 12/30/2042											335,273	(335,273)	(169,148)			
22 12/30/2043											335,273	(335,273)	(163,696)			
23 12/30/2044											335,273	(335,273)	(158,420)			
24 12/30/2045											335,273	(335,273)	(153,314)			
25 12/30/2046											335,273	(335,273)	(148,373)			
	\$5,840,253	\$6,099,949	(\$259,696)	\$142,937	\$6,653,071	(\$812,818)	\$9,795	\$7,401,534	(\$1,561,281)	(\$122,643)	\$8,426,533	(\$2,586,280)	(\$281,585)			

Debt Policy

Pursuant to Senate Bill 1029 (Stats. 2016, ch.307, SB 1029) California public agencies that issue debt must adopt debt management policies that meet certain criteria. The Board of Trustees adopted a Debt Management Policy for the State Bar on September 24, 2020, and the proposed financing is consistent with the Debt Management Policy.

Type of Financing

California public agencies commonly use lease financing structures to finance and refinance capital improvements. As a result, lenders are comfortable with lease financing structures, and staff has concluded, in consultation with the State Bar’s municipal advisor (Fieldman, Rolapp & Associates, Inc.) and private placement agent (Brandis Tallman, LLC), that structuring the refinancing of the 2016 BofA Loan and financing of the 2021 Capital Projects as a lease financing will produce the lowest cost of funds. This is the same structure utilized for the refinancing of the State Bar’s Los Angeles building in 2020.

Under the proposed lease financing structure:

1. The State Bar will lease the San Francisco office building to a nonprofit corporation (Public Property Financing Corporation of California (the “Corporation”)) established for the purpose of assisting public agencies with this type of financing.

2. The Corporation will sublease the San Francisco office building back to the State Bar. Under this sublease, the State Bar will agree to pay lease payments in the amount required to repay the principal amount of the lease financing plus interest. The State Bar will covenant in the Lease Agreement to annually budget and appropriate for the lease payments.
3. The Corporation will assign its right to receive the State Bar's lease payments to the Bank, and the Bank will have the right to exercise available remedies if the State Bar fails to pay its lease payments, including entering and re-leasing the San Francisco office building and exercising legal remedies to recover delinquent payments.

Documents to Carry Out the Financing Structure

Jones Hall, the State Bar's bond counsel for this financing, has prepared the following documents which are attached for the committee's review:

1. Site Lease – Provides that the State Bar will lease the San Francisco office building to the Corporation.
2. Lease Agreement – Provides that the Corporation will sublease the San Francisco office building to the State Bar, and the State Bar will agree to make lease payments to the Corporation.
3. Assignment Agreement – Provides that the Corporation will assign its right under the Lease Agreement to the Bank, including the right to receive the lease payments made by the State Bar and the right to enforce remedies in the event that the State Bar defaults in its lease payments.
4. Costs of Issuance Custodian Agreement – Under this document, The Bank of New York Mellon Trust Company, N.A. (BNY) will use financing proceeds to pay the State Bar's transaction costs (including the fees of the Municipal Advisor, Placement Agent and Bond Counsel and the title insurance premium).
5. Project Fund Custodian Agreement – Under this document, BNY will hold financing proceeds for requisition by the State Bar to pay the costs of the 2021 Capital Projects. Staff recommends that BNY hold the Project Fund to accommodate a well-documented requisition process.

Financing Team

In addition to key State Bar staff from the Office of Finance and Office of General Counsel, the refinancing requires certain outside professionals with expertise in tax-exempt financing for public agencies. As its Municipal Advisor, the State Bar has engaged James Fabian, of Fieldman, Rolapp & Associates, to assist in the formulation and execution of the financing plan. The municipal advisor serves as a fiduciary licensed by the U.S. Securities and Exchange Commission. In addition, the State Bar has engaged Chris Lynch, of Jones Hall, as outside bond counsel, and Jeff Land, of Brandis Tallman as placement agent to assist in the refinancing. Cost of issuance is estimated at \$150,000 and is to be paid by the proceeds of the 2021 tax-exempt and taxable loans.

Next Steps

If the Finance Committee selects the bank with the best term sheet that fits the needs of the State Bar, the financing team will notify that bank and start working on finalizing the legal documents for the 2021 financings, complete the credit approval process with the selected bank, finalize the documents to pay-off of the existing 2016 BofA Loan, and secure the release of the deed of trust encumbering the San Francisco office building and Bank of America's return of the existing debt service reserve fund. The documents should be substantially complete and ready for approval by the Board on July 23, 2021.

Description	Timeline
1. Development of Documents	April–August 12, 2021
2. Solicitation of Term Sheet to Banks	June 4, 2021
3. Proposals Due	June 18, 2021
4. Finance Committee Meeting	July 1, 2021
5. Board Approval	July 23, 2021
6. 2016 BofA Loan Debt Service Payment	August 1, 2021
7. Close	August 12, 2021

Schedule and Remaining Timeline

The schedule below shows the timeline for the refinancing with the closing of the refinancing estimated to be on August 12, 2021.

FISCAL/PERSONNEL IMPACT

Refinancing and restructuring the 2016 BofA Loan to a new 10 Year Loan at 2.76 percent would reduce the annual debt service by \$648,614 annually in years 2022–2025 but would extend the term from 2026 to 2031. The refinancing would provide a 2.73 percent net present value savings to the State Bar. The total payments over the 10-year term would be \$6,099,949 in comparison to the remaining \$5,840,253 of the 2016 BofA Loan.

Financing the tax-exempt and taxable components of the 2021 Capital Projects to an overall 15 Year Loan would require total estimated annual debt service payments of \$61,263 in 2021, \$1,800,000 in years 2022–2024 and \$1,036,807 in years 2025–2036. A portion of the annual payments will be made from the preapproved special assessments of annual Fee Bill revenues from 2020 to 2029. This special assessment of Fee Bill fund covers the IT projects by adding an additional \$5 per attorney over 5 years and \$4 per attorney over 10 years for building projects, starting in 2020. After 2029, the special assessment funds will end; therefore, the rest of the debt service payments from 2030 to 2036 will be paid from general revenues.

AMENDMENTS TO RULES OF THE STATE BAR

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & OBJECTIVES

Goal: 3. Improve the fiscal and operational management of the State Bar, emphasizing integrity, transparency, accountability, and excellence.

Objective: k. In conjunction with annual budgets, ensure maintenance and use of the Bar's Los Angeles and San Francisco buildings to maximize benefit to the Bar and the people of California.

RECOMMENDATIONS

Should the Finance Committee concur in the proposed action, passage of the following resolution is recommended:

RESOLVED that the Finance Committee recommends proceeding with Bank No. 4, with a 15 Year Term Sheet for the tax-exempt loan and a 10 Year Term Sheet for the taxable loan, and authorizes staff to finalize legal documents for the refinancing of the 2016 Bank of America Loan and the financing of the 2021 Capital Projects, including seeking review by the State Bar's Office of General Counsel (OGC), and it is

FURTHER RESOLVED, that, following OGC's review and input, the final documents shall be presented to the Board of Trustees for approval at its meeting on July 23, 2021.

ATTACHMENT(S) LIST

- A.** Summary of proposed terms
- B.** Draft Site Lease
- C.** Draft Lease Agreement
- D.** Draft Assignment Agreement
- E.** Draft Costs of Issuance Custodian Agreement
- F.** Draft Project Fund Custodian Agreement

Summary of Proposed Terms

	Bank No. 1	Bank No. 2	Bank No. 3	Bank No. 4	Bank No. 5
Interest Rate/All-in TIC:					
Taxable 5 Year	1.75% / 2.09%	-	<u>ALL 10 YEAR RATES</u> 2.76% / 2.96% - No Call 2.85% / 3.05% - 5yr Par Call 3.01% / 3.22% - 1yr Par Call	-	1.99% / 2.34%
Taxable 10 Year	2.70% / 2.90%	-		2.76% / 2.95%	2.61% / 2.81%
Taxable 15 Year	-	3.34% / 3.58%		3.07% / 3.20%	3.00% / 3.15%
Taxable 20 Year	-	-		3.48% / 3.59%	-
Taxable 25 Year	-	-		3.99% / 4.08%	-
Tax Exempt 10 Year	2.10% / 2.24%	-	2.34% / 2.48% - No call	2.07% / 2.20%	2.29% / 2.43%
Tax Exempt 15 Year	-	2.35% / 2.52%	2.41% / 2.55% - 5yr Par Call	2.30% / 2.40%	2.69% / 2.80%
Tax Exempt 20 Year	-	-	2.54% / 2.68% - 1yr Par Call	2.61% / 2.69%	-
Tax Exempt 25 Year	-	-		2.99% / 3.06%	-
Rate Lock Terms:	Upon credit approval, can lock w/in 30 days of closing. (60 days-5bps)	Locked through closing (August 12)	Subject to change until written rate lock	Locked through closing (August 12)	3 Weeks Prior to Closing
Prepayment Terms:	Callable at Par after 5 years	Years 1-5 at 101% Thereafter at par	See above All are callable at par on or after redemption date	10 Year: Years 1-2 at 102% Years 3-5 at 101% Thereafter at par 15 Year: Years 1-4 at 102% Years 5-8 at 101% Thereafter at par 20 Year: Years 1-5 at 102% Years 6-10 at 101% Thereafter at par 25 Year: Years 1-6 at 102% Years 7-12 at 101% Thereafter at par	Years 1-2 at 103% Years 3-4 at 102% Year 5 at 101%
Costs:					
Bank Counsel	\$12,500	NTE \$12,000	\$15,000	\$0	\$15,000
Loan Fee		0.50% Loan Fee			
Term Sheet Expiration:		7/2/2021		7/2/2021	
			Estimated Closing Date: August 12, 2021 Approximate Principal Amount: \$20,691,021 <u>Average Life (Taxable)</u> <u>Average Life (Tax-Exempt)</u> 5 Year Term: 2.417 10 Year Term: 6.323 10 Year Term: 4.376 15 Year Term: 8.753 15 Year Term: 6.485 20 Year Term: 11.326 20 Year Term: 8.740 25 Year Term: 14.071 25 Year Term: 11.155		

Jones Hall draft 6-1-21

PLEASE RECORD, AND
WHEN RECORDED, RETURN TO:

Christopher K. Lynch, Esq.
Jones Hall, A Professional Law Corporation
475 Sansome Street, 17th Floor
San Francisco, California 94111

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

SITE LEASE

Dated as of _____ 1, 2021

by and between the

**THE STATE BAR OF CALIFORNIA,
as Lessor**

and the

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Lessee**

(2016 Loan Refunding; 2021 Capital Projects)

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SITE LEASE

THIS SITE LEASE, dated for convenience as of _____ 1, 2021, by and between THE STATE BAR OF CALIFORNIA, a public corporation organized and existing under the Constitution and the laws of the State of California (the "State Bar"), and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lessee; and

WITNESSETH:

WHEREAS, the State Bar of California (the "State Bar") previously financed certain tenant improvements at its San Francisco Office Building located at 180 Howard Street, San Francisco, California (the "San Francisco Office Building") pursuant to a Real Estate Loan Agreement, dated as of March 1, 2016 (as amended, the "2016 Loan Agreement"), by and between the State Bar and Bank of America, N.A. (the "2016 Lender"), pursuant to which the 2016 Lender made a term loan (the "2016 Loan") to the State Bar;

WHEREAS, the State Bar has determined that it is in the best interests of the State Bar at this time to refinance the 2016 Loan, which can be prepaid on any date without premium pursuant to Section 1.5 of the 2016 Loan Agreement;

WHEREAS, the State Bar also wishes to finance all or a portion of certain capital projects, including (i) improvements to the San Francisco Office Building, (ii) improvements to the State Bar's Los Angeles office building located at 845 South Figueroa Street, Los Angeles, California and (iii) the acquisition of certain hardware and software necessary to operate the State Bar (collectively, the "Project");

WHEREAS, in order to raise funds for prepayment of the 2016 Loan and to finance the Project, the State Bar has agreed to lease certain real property and improvements to the Corporation under this Site Lease, initially consisting of the San Francisco Office Building, as such real property is more particularly described in Exhibit A hereto (the "Leased Property"), and the Corporation has agreed to lease such property back to the State Bar under a Lease Agreement dated as of _____ 1, 2021 (the "Lease Agreement"), between the Corporation as lessor and the State Bar as lessee, which Lease Agreement is being recorded concurrently herewith, and to assign to _____ (the "Bank") its right to receive lease payments under the Lease Agreement (the "Lease Payments") and its right to enforce the provisions of the Lease Agreement, pursuant to that certain Assignment Agreement, dated as of _____ 1, 2021, by and between the Corporation and the Bank (the "Assignment Agreement"), which Assignment Agreement is being recorded concurrently herewith; and

WHEREAS, the 2016 Loan cannot be refinanced on a federally tax-exempt basis and only a portion of the Project can be financed on a federally tax-exempt basis, so the Lease Payments will consist of (i) a stream of Lease Payments, the interest component of which will be excluded from gross income for federal income tax purposes (the "Tax-Exempt Lease Payments") and (ii) a stream of Lease Payments, the interest component of which is not intended to be excluded from gross income for federal income tax purposes (the "Taxable Lease Payments");

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. All terms specifically defined in the Lease Agreement shall have the same respective meanings when used herein. In addition, the following terms defined in this Section 1.01 shall have the respective meanings herein set forth when used herein.

“Bank” means _____, a national banking association, and its successors and assigns.

“Lease Agreement” means the Lease Agreement, dated as of _____ 1, 2021, by and between the Corporation as lessor and the State Bar as lessee, together with any duly authorized and executed amendments thereto.

“Leased Property” has the meaning given to said term in the recitals.

“Site Lease” means this Site Lease, together with any duly authorized and executed amendments hereto.

“Site Lease Payment” means the payment required to be paid by the Corporation on the Closing Date pursuant to Section 3.03.

Section 1.02. Article and Section Headings. Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Site Lease are to be designated Articles, Sections, and other subdivisions of this Site Lease as originally executed. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.03. References to Agreement. The words “hereof”, “herein”, “hereunder”, and words of similar import refer to this Site Lease as a whole.

Section 1.04. Number and Gender. The singular form of any word used herein, including terms defined as provided in Section 1.01, shall include the plural, and vice versa. The use of a word of any gender shall include all genders.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the State Bar. The State Bar represents, covenants and warrants to the Corporation as follows:

- (a) Due Organization and Existence. The State Bar is a public corporation duly organized and existing under the Constitution and laws of the State.
- (b) Authorization. The State Bar has good and merchantable fee title to the Leased Property. The laws of the State authorize the State Bar to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the State Bar has duly authorized and executed this Site Lease.
- (c) No Violations. Neither the execution and delivery of this Site Lease nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State Bar is now a party or by which the State Bar is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the Leased Property or assets of the State Bar, or upon the Leased Property, except Permitted Encumbrances.
- (d) Taxes, Assessments, Impositions and Liens. All taxes, assessments or impositions of any kind with respect to the Leased Property, except current taxes, have been paid in full. There are no liens or exceptions with respect to the Leased Property other than those disclosed in the title insurance policy issued on or immediately following the Closing Date.
- (e) Zoning. The Leased Property is properly zoned for the intended purpose and utilization of the Leased Property.
- (f) Compliance with Laws. The State Bar is in compliance with all laws, regulations, ordinances and orders of public authorities applicable to the Leased Property.
- (g) No Litigation. There is no litigation of any kind currently pending or, to the knowledge of the State Bar, threatened regarding the Leased Property or the State Bar's use of the Leased Property for the purposes contemplated by this Site Lease and the Lease Agreement.

Section 2.02. Representations, Covenants and Warranties of Corporation. The Corporation represents, covenants and warrants to the State Bar as follows:

- (a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation duly organized, existing and in good standing under the laws of the State of California; has full power, authority and legal right to enter into the Site Lease; is possessed of full power, authority and legal right to sublease real and personal property; and has duly authorized the execution and delivery of this Site Lease.

(b) Authorization. The laws of the State authorize the Corporation to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the Corporation has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the Leased Property or assets of the Corporation, or upon the Leased Property, except Permitted Encumbrances.

(d) No Litigation. There is no pending or, to the best knowledge of the Corporation, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of the Corporation to perform its obligations under this Site Lease.

ARTICLE III

AGREEMENT TO LEASE; TERM OF SITE LEASE; SITE LEASE PAYMENT

Section 3.01. Lease. The State Bar hereby leases the Leased Property to the Corporation, and the Corporation hereby leases the Leased Property from the State Bar, upon the terms and conditions set forth in this Site Lease, subject only to the Permitted Exceptions.

Section 3.02. Term. The term of this Site Lease shall commence on the Closing Date and shall end on _____, 20__, unless such term is extended as hereinafter provided. If on _____, 20__, the Lease Agreement shall not be discharged by its terms, then the Term of this Site Lease shall be extended until the Lease Agreement shall be discharged by its terms (but in no event beyond _____, 20__). If prior to _____, 20__, the Lease Agreement shall be discharged by its terms, the Term of this Site Lease shall thereupon end.

Section 3.03. Site Lease Payment. The Corporation hereby agrees to pay to the State Bar, as rental for the use and occupancy of the Leased Property during the term of this Site Lease, the amount of \$_____, which shall be due and payable on the Closing Date, and shall be deemed to have been paid when the Assignment Agreement is executed and delivered by the Corporation and the Bank and moneys are transferred on the Closing Date to (i) the 2016 Lender in the amount of \$_____ to prepay the 2016 Loan, (ii) the State Bar in the amount of \$_____ to finance the Project, and (iii) The Bank of New York Mellon Trust Company, N.A., in the amount of \$_____, to pay certain financing costs pursuant to a Costs of Issuance Custodian Agreement, dated _____, 2021. No further amounts shall be due and payable by the Corporation to the State Bar under this Site Lease.

Section 3.04. Title. Fee title to the Leased Property shall reside in the State Bar, and during the term of this Site Lease, the State Bar shall hold fee title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Property, including those fixtures, repairs, replacements or modifications which are added to the

Leased Property by the State Bar at its own expense and which may be removed without damaging the Leased Property and including any items added to the Leased Property by the State Bar pursuant to Section 5.9 of the Lease Agreement.

Section 3.05. No Merger. It is the express intention of the parties hereto that this Site Lease and the obligations of the parties hereunder shall be and remain separate and distinct from the Lease Agreement and the obligations of the parties thereunder, and that during the term of the Lease no merger of title or interest occur or be deemed to occur as a result of the position of the State Bar as lessee under the Lease Agreement and as lessor under this Site Lease, or the position of the Corporation as lessee under this Site Lease.

ARTICLE IV

EMINENT DOMAIN; NET PROCEEDS

Section 4.01. Eminent Domain. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of this Site Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, this Site Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary.

Section 4.02. Application of Net Proceeds. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Property or any improvements thereon by fire or other casualty, and the Net Proceeds of any eminent domain award resulting from any event described in Section 4.01 hereof, shall be applied as set forth in Section 6.2 of the Lease Agreement. All such Net Proceeds shall be paid to the State Bar or the Bank as their interests may appear under the Lease Agreement, and the Corporation hereby waives any and all right, title and interest which it may have in and to any such Net Proceeds by virtue of its estate in the Leased Property under this Site Lease.

MISCELLANEOUS

Section 5.06. Severability. In the event any provision of this Site Lease 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 5.07. Further Assurances and Corrective Instruments. The Corporation and the State Bar agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Site Lease.

Section 5.08. Execution in Counterparts. This Site Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.09. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State.

Section 5.10. Corporation and State Bar Representatives. Whenever under the provisions of this Site Lease the approval of the Corporation or the State Bar is required, or the Corporation or the State Bar is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the State Bar by a State Bar Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 5.11. Captions. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Site Lease.

* * * * *

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

THE STATE BAR OF CALIFORNIA, as Lessor

By: _____

Name: _____

Title: _____

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**, as Lessee

By _____

Name: _____

Title: _____

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

The Leased Property consists of certain real property, together with all buildings, facilities and other improvements located thereon, and together with the right of ingress and egress which is more particularly described as follows:

- San Francisco Office Building located at 180 Howard Street in San Francisco, California, County of San Francisco
- The land referred to in this Exhibit A situated in the City of San Francisco, County of San Francisco, State of California, described as follows:

Parcel One:

Beginning at a point on the Northwestern line of Howard Street, distant thereon 91 feet and 8 inches Northeasterly from the Northeasterly line of Main Street; running thence Northeasterly along said Northwestern line of Howard Street 45 feet and 10 inches; thence at a right angle Northwestern parallel with Main Street 137 feet and 6 inches; thence at a right angle Southwesterly and parallel with Howard Street 45 feet and 10 inches; and thence at a right angle Southeasterly 137 feet and 6 inches to the point of beginning on Howard Street.

Being Beach and Water Lot 709.

Parcel Two:

Beginning at a point on the Northeasterly line of Main Street, distant thereon 100 feet Northwesternly from the Northwestern line of Howard Street; running thence Northwesternly along said line of Main Street 37 feet and 6 inches; thence at a right angle Northeasterly 91 feet and 8 inches; thence at a right angle Southeasterly 37 feet and 6 inches; thence at a right angle Southwesterly 91 feet and 8 inches to the point of beginning.

Being a portion of 100 Vara Block No. 325.

Parcel Three:

Beginning at the point of intersection of the Northeasterly line of Main Street and the Northwesternly line of Howard Street; running thence Northwesternly along said line of Main Street 100 feet; thence at a right angle Northeasterly 91 feet and 8 inches; thence at a right angle Southeasterly 100 feet to the Northwesternly line of Howard Street; thence at a right angle Southwesterly along said line of Howard Street 91 feet and 8 inches to the point of beginning.

Being a portion of 100 Vara Block No. 325.

Assessor's block 3717, lot 020

Parcel Four:

A nonexclusive right, privilege and easement for the purposes of pedestrian passage, ingress and egress and for drainage of rain and other water on, over and across the 120 courtyard area, as granted in that certain "Reciprocal Easement Agreement" recorded March 22, 1996, in Book

G595, at Page 460, Instrument No. 96-F946965-00, Official Records, more particularly described as follows:

Commencing for reference at the intersection of the Southwesterly line of Spear Street and the Northwesterly line of Howard Street; thence proceeding Southwesterly 137.50 feet along said Northwesterly line of Howard Street to a point lying 137.50 feet Northeasterly from the Northeasterly line of Main Street, said point being the true point of beginning; thence proceeding Northwesterly 183.33 feet; thence at a right angle Northeasterly 41.65 feet; thence at a right angle Southeasterly 25.50 feet; thence at a right angle Southwesterly 19.13 feet; thence southerly at an angle to the right of 135°, 3.32 feet; thence Southeasterly at an angle to the right of 135°, 153.16 feet; thence easterly at an angle to the right of 135°, 3.28 feet to the Northwesterly line of Howard Street; thence Southwesterly along said Northwesterly line of Howard Street 22.50 feet to the true point of beginning.

Also being a portion of 100 Vara Block No. 325.

Assessor's Lot 20, Block 3717

APN: 3717 -020
(End of Legal Description)

Jones Hall draft 6-1-21

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall,
A Professional Law Corporation
475 Sansome Street, 17th Floor
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

Dated as of _____ 1, 2021

by and between the

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Lessor**

and the

**THE STATE BAR OF CALIFORNIA, as Lessee
(2016 Loan Refunding; 2021 Capital Projects)**

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LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease Agreement"), dated for convenience as of _____ 1, 2021, is by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, as lessor (the "Corporation"), and THE STATE BAR OF CALIFORNIA, a public corporation organized and existing under the Constitution and laws of the State of California, as lessee (the "State Bar").

WITNESSETH:

WHEREAS, State Bar of California (the "State Bar") previously financed certain tenant improvements at its San Francisco Office Building located at 180 Howard Street, San Francisco, California (the "San Francisco Office Building") pursuant to a Real Estate Loan Agreement, dated as of March 1, 2016 (as amended, the "2016 Loan Agreement"), by and between the State Bar and Bank of America, N.A. (the "2016 Lender"), pursuant to which the 2016 Lender made a term loan (the "2016 Loan") to the State Bar;

WHEREAS, the State Bar has determined that it is in the best interests of the State Bar at this time to refinance the 2016 Loan, which can be prepaid on any date without premium pursuant to Section 1.5 of the 2016 Loan Agreement;

WHEREAS, the State Bar also wishes to finance all or a portion of certain capital projects, including (i) improvements to the San Francisco Office Building, (ii) improvements to the State Bar's Los Angeles office building located at 845 South Figueroa Street, Los Angeles, California and (iii) the acquisition of certain hardware and software necessary to operate the State Bar (collectively, with such other capital projects as may be identified by the State Bar pursuant to Section 3.4, the "Project");

WHEREAS, in order to raise funds required for those purposes, the State Bar has, pursuant to a Site Lease, dated as of _____ 1, 2021, and recorded concurrently herewith (the "Site Lease"), leased to the Corporation certain real property and improvements, initially consisting of the San Francisco Office Building, as such real property is more particularly described in Exhibit B hereto (the "Leased Property");

WHEREAS, the Corporation proposes to lease the Leased Property back to the State Bar pursuant to this Lease Agreement, and to assign certain of its rights and interests hereunder to _____ (including its successors and assigns, the "Bank"), pursuant to that certain Assignment Agreement, dated as of _____ 1, 2021, by and between the Corporation and the Bank, and recorded concurrently herewith (the "Assignment Agreement");

WHEREAS, the proceeds of the assignment under the Assignment Agreement will be applied to: (i) prepay the 2016 Loan, (ii) finance the construction and improvement of the Project, and (iii) pay costs of executing and delivery the Lease Agreement.

WHEREAS, the 2016 Loan cannot be refinanced on a federally tax-exempt basis and only a portion of the Project can be financed on a federally tax-exempt basis, so (i) ____% of the lease payments payable by the State Bar under this Lease Agreement (the "Taxable Lease Payments") will be allocated to the portion of the Lease Agreement that will be used to refinance the 2016 Lease Agreement and to finance a portion of the Project and (ii) ____% of the lease

payments payable by the State Bar under this Lease Agreement (the "Tax-Exempt Lease Payments"; together with the Taxable Lease Payments, the "Lease Payments") will be allocated to the portion of the Lease Payments that will be used to to finance a portion of the Project;

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. The terms defined in Exhibit A attached hereto and by this reference incorporated herein, as used and capitalized herein, shall, for all purposes of this Lease Agreement, have the meanings ascribed to them in said Exhibit A unless the context clearly requires some other meaning.

Section 1.2. Exhibits. The following exhibits are attached to, and by this reference made a part of, this Lease Agreement:

- Exhibit A: Definitions.
- Exhibit B: The description of the Leased Property.
- Exhibit C: The schedules of Lease Payments to be paid by the State Bar hereunder with respect to the Leased Property, showing the Lease Payment Date and amount of each such Tax-Exempt Lease Payment and Taxable Lease Payment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the State Bar. The State Bar represents, covenants and warrants to the Corporation and the Bank as of the date of the execution and delivery of this Lease Agreement as follows:

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

(b) *Due Execution.* The representatives of the State Bar executing this Lease Agreement and the Site Lease have been fully authorized to execute the same pursuant to a resolution duly adopted by the Board of Trustees of the State Bar.

(c) *Valid, Binding and Enforceable Obligations.* This Lease Agreement and the Site Lease have been duly authorized, executed and delivered by the State Bar and constitute the legal, valid and binding obligations of the State Bar enforceable against the State Bar in accordance with their respective terms.

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

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

(f) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority

pending or, to the knowledge of the State Bar after reasonable investigation, threatened against or affecting the State Bar or the assets, properties or operations of the State Bar which, if determined adversely to the State Bar or its interests, would have a material and adverse effect upon the consummation of the transactions on the part of the State Bar contemplated by or the validity of this Lease Agreement and the Site Lease, or upon the financial condition, assets, properties or operations of the State Bar, and the State Bar is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions on the part of the State Bar contemplated by this Lease Agreement and the Site Lease, or the financial conditions, assets, properties or operations of the State Bar.

(g) *Status of Leased Property.* The Leased Property is fully functional, operational, and in sound condition.

(h) *State Bar's Financial Position.* The statement of financial position of the State Bar as of December 31, 2020, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the State Bar at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the period of such statements, there has been no (i) change which would have a material adverse effect on the State Bar and (ii) no material increase in the indebtedness of the State Bar.

(i) *No Default.* The State Bar has not defaulted or failed to appropriate funds for any of its financial obligations.

(j) *Essential.* The Leased Property and the financing pursuant to this Lease Agreement and the Assignment Agreement are essential to the State Bar's efficient and economic operation, and are in the best interests of the State Bar. During the term of this Lease Agreement, the Leased Property will be used by the State Bar only for the purpose of performing one or more essential functions of the State Bar consistent with the permissible scope of the State Bar's authority.

(k) *Budget.* The obligations of the State Bar under this Lease Agreement, including without limitation the obligation to make Lease Payments, are obligations payable from the State Bar's general fund budget or other available funds of the State Bar.

(l) *Available Funds.* The State Bar has funds available for the payment of Lease Payments due during the current Fiscal Year and reasonably believes that sufficient funds can be obtained to make all Lease Payments and payments of other amounts required to be paid hereunder.

(m) *Title to Leased Property; Encumbrances.* The State Bar is the owner in fee of the Leased Property, and title to the Leased Property shall remain in the State Bar, subject to the rights of the Authority hereunder and under the Site Lease and subject to Permitted Encumbrances.

(n) *No Lien or Encumbrances.* No lien or encumbrance on the Leased Property materially impairs the State Bar's use of the Leased Property for the purposes for which it is, or may reasonably be expected to be, held. This Lease is the only lease that encumbers the Leased Property except for Permitted Encumbrances. The Leased Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the State Bar's use of the Leased Property as contemplated in this Lease Agreement.

(o) *Flood Hazard.* The Leased Property is not located in a "Special Flood Hazard Area" shown on a Flood Hazard Boundary Map or a Flood Insurance Rate Map used in connection with the National Flood Insurance Program and has not been subject to material damage from flooding.

(p) *Insured Value.* The insured value of the Leased Property, based on replacement cost, is not less than the aggregate principal component of all of the Lease Payments.

(q) *Useful Life.* The buildings located on the Leased Property have a remaining useful life that extends to at least December 30, 20__.

(r) *Hazardous Substances.* To the best of the State Bar's knowledge, the Leased Property is free of all Hazardous Substances that would impair the State Bar's use of the Leased Property for the purposes for which it is, or may reasonably be expected to be, held or that will materially adversely affect the ability of the State Bar to perform its obligations under this Lease Agreement.

(s) *Taxes and Assessments.* All taxes, assessments or impositions of any kind with respect to the Leased Property, except current taxes, have been paid.

(t) *The Leased Property.* The State Bar has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the Bank's interest in any property now or hereafter included in the Leased Property shall be or may be impaired, changed or encumbered in any manner whatsoever except as permitted by this Lease Agreement.

(u) *Relationship to Corporation.* The State Bar acknowledges that the Corporation is not acting as a "Municipal Advisor", as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), or as an agent or fiduciary of the State Bar.

Section 2.2. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the State Bar and the Bank as follows:

(a) *Due Organization and Existence.* The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California; has power to enter into the Site Lease, this Lease Agreement and the Assignment Agreement; is possessed of full power to own and hold, improve and equip real and personal property and to lease and sell the same; has duly authorized the execution and delivery of all of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(b) *No Encumbrances.* The Corporation has not pledged and will not pledge the Lease Payments or other amounts derived from the Leased Property, and from its other rights under this Lease Agreement and the Site Lease and has not mortgaged or encumbered and will not mortgage or encumber the Leased Property, except as expressly provided under the terms of the Site Lease, this Lease Agreement and the Assignment Agreement.

(c) *No Violations.* Neither the execution and delivery of the Site Lease, this Lease Agreement or the Assignment Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Leased Property, except Permitted Encumbrances.

(d) *No Assignments.* Except pursuant to the Assignment Agreement, the Corporation will not assign this Lease Agreement or the Site Lease, its right to receive Lease Payments from the State Bar or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

(e) *Execution and Delivery.* The Corporation has duly authorized, executed and delivered the Site Lease, this Lease Agreement and the Assignment Agreement in accordance with all applicable laws, and such documents constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

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

(g) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority

pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions on the part of the Corporation contemplated by or the validity of this Lease Agreement, the Site Lease or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease or the Assignment Agreement, or the financial conditions, assets, properties or operations of the Corporation.

(h) *Relationship to State Bar.* The Corporation represents and warrants that it is not acting as a “Municipal Advisor”, as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the “Municipal Advisor Rules”), or as an agent or fiduciary of the State Bar.

ARTICLE III

DEPOSIT OF MONEYS; REFUNDING OF 2016 Loan; CONSTRUCTION OF THE PROJECT; COSTS OF ISSUANCE

Section 3.1. Deposit of Moneys. On the Closing Date, the Corporation shall cause to be deposited, from the proceeds of the Lease Agreement received or deemed to be received from the Bank, an amount equal to \$_____, which is equal to (i) the principal component of the Taxable Lease Payments (\$_____) and (ii) the principal component of the Tax-Exempt Lease Payments (\$_____).

Such deposit constituting the principal component of the Taxable Lease Payments shall be used (a) to pay Costs of Issuance in the amount of \$_____, which amount shall be transferred by the Bank to the Costs of Issuance Custodian, on the Closing Date for that purpose, (b) to prepay the 2016 Loan in the amount of \$_____, which shall be wired by the Bank to the 2016 Lender on the Closing Date and shall be sufficient to prepay the 2016 Loan on the Closing Date and (c) to finance the acquisition and construction of the Project in the amount of \$_____, as provided herein, which amount shall be transferred by the Bank to the Project Fund Custodian, on the Closing Date for that purpose.

Such deposit constituting the principal component of the Tax-Exempt Lease Payments shall be used (a) to pay Costs of Issuance in the amount of \$_____, which amount shall be transferred by the Bank to the Costs of Issuance Custodian on the Closing Date for that purpose and (b) to finance the acquisition and construction of the Project in the amount of \$_____, as provided herein, which amount shall be transferred by the Bank to the Project Fund Custodian, on the Closing Date for that purpose.

Wire Instructions for The Bank of New York Mellon Trust Company:

The Bank of New York Mellon
ABA # 021000018
Account Number 4154178400
Account Name: The State Bar of California

Wire Instructions for 2016 Lender:

To: Bank of America, N.A.
ABA: 026009593
ATTN: BL Operations
ACCOUNT #: 1365840632100
Bank to Bank Instructions: LOAN WIRE ACCOUNT
Reference: State Bar of California, The – THE STATE00003

*Mailing Address:
Bank of America, N.A.
Attn: Transaction Processing
Mail Stop: FL9-300-05-02
9000 Southside Blvd Bldg 300
Jacksonville FL 32256

Any amounts held by the Bank following the transfers described in the previous paragraph shall be transferred to the State Bar, upon written request by the State Bar to the Bank.

SECTION 3.2. Acquisition and Construction of the Project. The Corporation hereby agrees to cause the Project to be constructed, acquired and installed by the State Bar as its agent. The State Bar shall enter into contracts and provide for, as agent for the Corporation, the complete construction, acquisition and installation of the Project. The State Bar hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed, and that it will use its best efforts to cause the construction, acquisition and installation of the Project to be completed by _____, 20____, unforeseeable delays beyond the reasonable control of the State Bar only excepted. Failure to complete the Project by such estimated completion date will not affect the obligation of the State Bar to pay the Lease Payments in accordance with Section 4.4, it being hereby declared that the fair rental value of the Leased Property constitutes sufficient consideration for the payment of the Lease Payments in full, without regard to the completion of the Project.

It is hereby expressly understood and agreed that the Corporation is under no liability of any kind or character whatsoever for the payment of any Project Costs and that all Project Costs shall be paid by the State Bar, regardless of whether the funds deposited with the State Bar are sufficient to cover all such costs and expenses.

SECTION 3.3. Payment of Project Costs. In order to ensure that moneys sufficient to pay the Project Costs will be available when required, the State Bar or its assignee shall deposit the sum of \$_____ in a fund (the "Project Fund") to be established and held by the Project Fund Custodian. The State Bar shall cause the Project Fund Custodian to establish two accounts in the Project Fund: (i) the "Tax-Exempt Account," into which the State Bar will deposit \$____ on the Closing Date and (ii) the "Taxable Account," into which the State Bar will deposit \$_____ on the Closing Date.

A State Bar Representative shall direct the Project Fund Custodian to disburse moneys in the Project Fund from time to time to pay the Project Costs and such other costs authorized by this Lease Agreement.

SECTION 3.4. Disposition of Excess Project Funds. Upon the determination by the State Bar that the construction of the Project has been substantially completed, the State Bar shall, in its sole discretion, direct the Project Fund Custodian to disburse the amounts remaining in the Project Fund to (a) finance additional projects and facilities of the State Bar, and/or (b) prepay the Lease Payments under Section 10.2, but only after receiving an opinion of Bond Counsel that such application will not adversely impact the tax-exempt status of the interest component of the Tax-Exempt Lease Payments.

SECTION 3.5. Investment of Project Funds. Amounts on deposit in the Project Fund shall be invested solely in Permitted Investments. Principal and interest earnings from each investment will be deposited directly into the applicable Account of the Project Fund for disbursement under Section 3.3. The State Bar is responsible for the safekeeping of deposit certificates and other investment confirmation documents.

Except as otherwise provided in the following paragraph, the State Bar covenants that all investments of amounts deposited in the Tax-Exempt Account, or otherwise containing gross

proceeds of the Tax-Exempt Lease Payments (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code will be valued at their present value (within the meaning of section 148 of the Code).

ARTICLE IV

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

Section 4.1. Lease. The Corporation hereby leases the Leased Property to the State Bar, and the State Bar hereby leases the Leased Property from the Corporation, upon the terms and conditions set forth in this Lease Agreement. The leasing of the Leased Property by the Corporation to the State Bar pursuant to this Lease Agreement shall not effect or result in a merger of the subleasehold estate of the State Bar and the fee interest of the State Bar in the Leased Property.

Section 4.2. Term of Lease Agreement. The Term of this Lease Agreement shall commence on the Closing Date, and shall end on December 30, 20__, unless such term is extended as hereinafter provided. If, on December 30, 20__, this Lease Agreement shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, and not otherwise paid from rental interruption insurance or other sources, or the State Bar shall have defaulted in its payment of Lease Payments hereunder or any Event of Default has occurred and continues without cure by the State Bar, then the Term of this Lease Agreement shall be extended until there has been deposited with the Bank an amount sufficient to pay all obligations due under this Lease Agreement, but in no event shall the Term of this Lease Agreement extend beyond December 30, 20__. The provisions of this Section 4.2 are subject to the provisions of Section 6.1 relating to the taking in eminent domain of the Leased Property or any portion thereof.

Section 4.3. Possession. The Corporation has agreed to lease the Leased Property from the State Bar on the Closing Date under and pursuant to the Site Lease. The State Bar hereby agrees to accept and take possession of the Leased Property, pursuant to this Lease Agreement, on the Closing Date.

Section 4.4. Lease Payments.

(a) *Obligation to Pay*. Subject to the provisions of Articles VI and X, the State Bar agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Property during each Rental Period, the Lease Payments in the respective amounts specified in Exhibit C hereto, to be due and payable in immediately available funds on the respective Lease Payment Dates specified in Exhibit C hereto. The Lease Payments shall be denominated into components of principal and interest (with interest calculated on the basis of a 360-day year comprised of 30-day months and with respect to the Tax-Exempt Lease Payments, based on an interest rate of __%, and, with respect to the Taxable Lease Payments, based on an interest rate of ____% per annum). The Lease Payment for the Leased Property payable during any Rental Period shall be for the use of the Leased Property for such Rental Period. All Lease Payments received shall be applied first to the interest components of the Lease Payments due hereunder, then to the principal components of the Lease Payments due hereunder, but no such application of any Lease Payments that are less than the total Lease Payments due and owing shall be deemed a waiver of any default hereunder.

In the event that the State Bar only pays a portion of the Lease Payments that are due and payable, the amounts available to pay the Lease Payments shall be applied to the Taxable Lease Payments and the Tax-Exempt Lease Payments on a pro rata basis (based on the unpaid principal component of each).

(b) *Effect of Prepayment.* In the event that the State Bar prepays all remaining Lease Payments in full pursuant to Article X, the State Bar's obligations under this Lease Agreement shall thereupon cease and terminate including, but not limited to, the State Bar's obligation to pay Lease Payments under this Section 4.4; subject however, to the provisions of Section 10.1 in the case of prepayment by application of a security deposit.

In the event that the State Bar prepays the Lease Payments in part but not in whole pursuant to Article X, such prepayment shall be credited toward the prepayment of the Lease Payments as follows: (i) the principal components shall be prepaid in integral multiples of \$5,000 as determined by the State Bar; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest that would otherwise be payable on the principal component thereby prepaid. In such event the prepayment shall be allocated between the Taxable Lease Payments and the Tax-Exempt Lease Payments as determined by the State Bar.

(c) *Rate on Overdue Payments.* In the event the State Bar should fail to make any of the payments required in this Section 4.4, and such nonpayment shall not be cured within 10 days of the Lease Payment Date on which such Lease Payment was due, the payment in default shall continue as an obligation of the State Bar until the amount in default shall have been fully paid, and the State Bar agrees to pay the same with interest thereon at the rate specified in Section 4.4(a).

(d) *Fair Rental Value.* The Lease Payments for the Leased Property and the Additional Payments for each Rental Period shall constitute the total rental for the Leased Property for each such Rental Period and shall be paid by the State Bar for each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments for the Leased Property and the Additional Payments represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the estimated fair market value of the Leased Property, the replacement cost of the Leased Property and obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the State Bar.

(e) *Source of Payments; Budget and Appropriation.* Lease Payments shall be payable from any source of available moneys of the State Bar, subject to the provisions of Articles VI and X. During the Term of this Lease Agreement, the State Bar shall furnish to the Bank no later than February 1 of each year, a certificate stating that the State Bar has included the Lease Payments due in that Fiscal Year in the budget that has been approved by the Board of Trustees of the State Bar for such Fiscal Year.

The State Bar covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its annual budgets during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the State Bar herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the State Bar to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the State Bar to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the State Bar.

(f) Assignment. The State Bar understands and agrees that all Lease Payments have been assigned by the Corporation to the Bank pursuant to the Assignment Agreement, and the State Bar hereby consents to such assignment. The Corporation hereby directs the State Bar, and the State Bar hereby agrees to pay to the Bank all payments payable by the State Bar pursuant to this Section 4.4 and Section 4.7 and all amounts payable by the State Bar pursuant to Article X. Lease Payments shall be paid to the Bank by wire transfer or check, which payment instructions shall be provided by the Bank to the State Bar, and which may be changed from time to time by the Bank upon notice to the State Bar.

Section 4.5. Quiet Enjoyment. During the Term of this Lease Agreement, the Corporation shall provide the State Bar with quiet use and enjoyment of the Leased Property, and the State Bar shall, during such Term, peaceably and quietly have and hold and enjoy the Leased Property without suit, trouble or hindrance from the Corporation. The Corporation will, at the request of the State Bar and at the State Bar's cost, join in any legal action in which the State Bar asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Leased Property as provided in Section 7.2.

Section 4.6. Title. During the Term of this Lease Agreement, the State Bar shall hold fee title to the Leased Property and, pursuant to this Lease Agreement, leasehold title to the Leased Property and the Corporation shall, pursuant to the Site Lease, hold leasehold title to the Leased Property and, in each case, any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Property, subject only to Permitted Encumbrances, and except for those fixtures, repairs, replacements or modifications which are added to the Leased Property by the State Bar at its own expense and which may be removed without damaging the Leased Property pursuant to Section 5.9.

If the State Bar prepays the Lease Payments as permitted by Article X, makes the security deposit permitted by Section 10.1, or pays all Lease Payments during the Term of this Lease Agreement as the same become due and payable, the Corporation's leasehold estate in the Leased Property, and all right, title and interest of the Corporation in and to the Leased Property, shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the State Bar to consummate any such termination.

Section 4.7. Additional Payments. The State Bar shall pay or cause to be paid, when due, all costs and expenses incurred by the State Bar and the Corporation arising hereunder, including without limitation all Costs of Issuance, compensation, reimbursement and indemnification due to the Corporation and the Bank, and all costs and expenses of the State Bar and auditors, engineers, attorneys and accountants. In addition, the State Bar agrees to pay as Additional Payments all of the following:

- (i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Corporation therein or in this Lease Agreement; provided, however, the State Bar may, at the State Bar's expense and in its name, in good faith contest any such taxes and assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Corporation shall notify the State Bar that, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the Corporation in the Leased Property

will be materially endangered or the Leased Property, or any portion thereof, will be subject to loss or forfeiture, in which event the State Bar shall promptly pay such taxes and assessments or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation;

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

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

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

Notwithstanding any other provision of this Section 4.7, the State Bar shall pay such additional amounts of rent during any period only to the extent that any such payment, when added to Lease Payments due and owing during such period, will not exceed the fair rental value of the Leased Property for such period.

Section 4.8. No Withholding. Notwithstanding any dispute between the Corporation or the Bank and the State Bar or any default by the Corporation or the Bank in any transaction with the State Bar, the State Bar shall make all Lease Payments when due and shall not withhold any Lease Payments pending the final resolution of such dispute or as a setoff against any claims of the State Bar.

ARTICLE V

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

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the sole responsibility of the State Bar, and the State Bar shall pay, or otherwise arrange, for the payment of all utility services supplied to the Leased Property which may include, without limitation, janitor service, security, power, gas, telephone, internet, television, light, heating, water, sewer and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the State Bar or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Property, as hereinbefore more specifically set forth. The State Bar waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the State Bar under the terms of this Lease Agreement.

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

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

Section 5.2. Modification of Leased Property. The State Bar shall, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All additions, modifications and improvements to the Leased Property shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Leased Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.2, shall be of a value which is not substantially less than the value of the Leased Property immediately prior to the making of such additions, modifications and improvements. The State Bar will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any

remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the State Bar pursuant to this Section 5.2; provided that if any such lien is established and the State Bar shall first notify the Corporation and the Bank of the State Bar's intention to do so, the State Bar may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the State Bar. The State Bar shall promptly notify the Bank of any such lien and contest and shall provide the Bank with updates and other such other information on such lien and contest as the Bank may request.

Section 5.3. Liability Insurance. The State Bar shall maintain or cause to be maintained, throughout the Term of this Lease Agreement, insurance policies, including a standard comprehensive general liability insurance policy or policies in protection of the State Bar, including its officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the State Bar deems adequate and prudent. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the State Bar and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the State Bar. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.4. Fire and Extended Coverage Insurance. The State Bar shall maintain, or cause to be maintained throughout the Term of this Lease Agreement, insurance against loss or damage to any part of improvements constituting a portion of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of (a) one hundred percent (100%) of the replacement cost of improvements constituting the Leased Property, or (b) the aggregate principal amount of the unpaid Lease Payments. Such policy may be subject to such deductibles as the State Bar shall deem prudent. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the State Bar and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a).

Section 5.5. Rental Interruption Insurance. The State Bar shall maintain, or cause to be maintained, throughout the Term of this Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the improvements constituting a portion of the Leased Property during the Term of this Lease Agreement as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum unpaid Lease Payments due in any two consecutive calendar years. The Net Proceeds of such insurance shall be applied towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Section 5.6. Title Insurance. On or before the Closing Date, the State Bar shall, at its expense, (a) cause this Lease Agreement, the Site Lease and the Assignment Agreement in form and substance approved by Bond Counsel, to be recorded in the office of the San Francisco County Recorder with respect to the Leased Property, and (b) obtain a CLTA title insurance policy covering, and in the amount of not less than the aggregate principal amount of the Lease Payments, insuring the State Bar's leasehold estate in the Leased Property, subject only to Permitted Encumbrances. The Net Proceeds of such title insurance shall be applied as provided in Section 6.2(c).

Section 5.7. Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by Sections 5.4, 5.5 and 5.6 shall list the Bank as a loss payee or additional insured, as applicable, shall include a lender's loss payable endorsement for the benefit of the Bank, shall provide that all proceeds thereunder shall be payable to the Bank as and to the extent required hereunder and shall be applied as provided in Section 6.2. The State Bar shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement.

Annually not later than February 1 in each year during the Term of this Lease Agreement, the State Bar shall furnish or cause to be furnished to the Bank evidence of all insurance policies required to be maintained by this Article V, which may consist of a certificate describing material terms of such policies.

In the event that any insurance maintained pursuant to Section 5.3 shall be provided in the form of self-insurance, then (a) the State Bar shall maintain reserve balances with respect thereto in an amount deemed to be prudent by the State Bar and (b) such self-insurance program shall be maintained by the State Bar on an actuarially sound basis.

In the event of an amendment of this Lease Agreement pursuant to Section 8.3(c) to provide for additional lease payments, such amendment may provide for a lender, trustee or other third party to have rights to the Net Proceeds on a pari passu basis with the Bank based on the outstanding principal component of the Lease Payments and such additional lease payments.

Section 5.8. Advances. If the State Bar shall fail to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the State Bar shall be obligated to repay all such advances as soon as possible with interest at the rate specified in Section 4.4(a).

Section 5.9. Installation of State Bar's Equipment. The State Bar may, at any time and from time to time in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Leased Property. All such items shall remain the sole property of the State Bar in which neither the Corporation nor the Bank shall have any interest and may be modified or removed by the State Bar at any time provided that the State Bar shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the State Bar from purchasing or leasing items to be installed pursuant to this Section 5.9 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

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

Section 5.11. Federal Tax Law Covenants

(a) *Private Activity Bond Limitation*. The State Bar will assure that the proceeds of the Tax-Exempt Lease Payments are not so used as to cause the obligations of the State Bar under this Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The State Bar will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the obligations of the State Bar under this Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement*. The State Bar will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Tax-Exempt Lease Payments.

(d) *No Arbitrage*. The State Bar will not take, or permit or suffer to be taken by the Corporation or otherwise, any action with respect to the proceeds of the Tax-Exempt Lease Payments which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of delivery of this Lease Agreement would have caused any of the obligations of the State Bar under this Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption*. The State Bar will take all actions necessary to assure the exclusion of the interest component of the Tax-Exempt Lease Payments from the gross income of Bank to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of delivery of this Lease Agreement.

(f) *Record Retention*. The State Bar will retain its records of all accounting and monitoring it carries out with respect to this Lease Agreement for at least 3 years after the Tax-Exempt Lease Payments are paid in full when due or prepaid (whichever is earlier); however, if the Tax-Exempt Lease Payments are prepaid and refunded, the State Bar will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or prepayment of the obligations that refunded the Tax-Exempt Lease Payments.

(g) *Compliance with Tax Certificate*. The State Bar will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to this Lease Agreement, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Tax-Exempt Lease Payments.

Section 5.12. Environmental Covenants

(a) *Compliance with Laws; No Hazardous Substances.* The State Bar will comply with all Applicable Environmental Laws with respect to the Leased Property and will not use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would cause any Hazardous Substance to later flow, migrate, leak, leach, or otherwise come to rest on or in the Leased Property.

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

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

Section 5.13. Financial Statements; Budgets. Within nine months following the end of each Fiscal Year of the State Bar during the Term of this Lease, the State Bar shall provide the Bank with a copy of its audited financial statements for such Fiscal Year. Such audited financial statements shall include a balance sheet, a statement of revenues, expenses and changes in fund balances for budget and actual, a statement of cash flows, notes, schedules and any attachments to the financial statements and such other financial information as the Bank may reasonably request. At the request of the Bank, the State Bar will provide the Bank with a copy of its annual budget for any Fiscal Year and any interim updates or modifications to such budget.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

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

Section 6.2. Application of Net Proceeds.

(a) *From Insurance Award.* Within 90 days following the date of the Bank's receipt of the Net Proceeds of any insurance award resulting from damage to or destruction of any portion of the Leased Property by fire or other casualty, the State Bar shall determine and notify the Bank in writing whether it wishes to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, or prepay the Lease Payments in accordance with Section 10.3.

If the State Bar fails to determine and notify the Bank in writing of its determination, within such 90 day period, the Bank shall apply such Net Proceeds to the prepayment of the Lease Payments in accordance with Section 10.3.

Notwithstanding the foregoing, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the State Bar to rebuild or replace the Leased Property if such proceeds are not sufficient to prepay the Lease Payments in full. Any balance of the proceeds remaining after such work has been completed shall be paid by the Bank to the State Bar.

(b) *From Title Insurance and Eminent Domain Award.* The Net Proceeds of any title insurance or eminent domain award resulting from any event described in Section 6.1 shall be paid by the State Bar to the Bank, as assignee of the Corporation under the Assignment Agreement, and applied to the prepayment of the Lease Payments in accordance with Section 10.3. Any balance of the proceeds remaining after such prepayment shall be paid by the Bank to the State Bar.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. Lease Payments shall be abated during any period in which, by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for), there is substantial interference with the beneficial use and occupancy by the State Bar of the Leased Property or any portion thereof (other than any portions of the Leased Property described in Section 5.2). The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in Exhibit C, unless such unpaid amounts are determined to be greater than the fair rental value of the

portions of the Leased Property not damaged or destroyed (giving due consideration to the factors identified in the last sentence of Section 4.4(d)), based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation (and as further described in the next paragraph), in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the State Bar waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that the proceeds of rental interruption insurance are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS; RELEASE AND INDEMNIFICATION

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

Section 7.2. Access to the Leased Property. The State Bar agrees that the Bank and the Corporation, and the Corporation and the Bank's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Property. The State Bar further agrees that the Bank, the Corporation, and the Corporation and the Bank's successors or assigns, shall have such rights of access to the Leased Property as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the State Bar to perform its obligations hereunder.

Section 7.3. Release and Indemnification Covenants. The State Bar hereby agrees to indemnify the Bank, the Corporation and their respective directors, officers, employees, agents, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the State Bar or any of its employees, agents, contractors, invitees or licensees,
- (b) any breach or default on the part of the State Bar in the performance of any of its obligations under this Lease Agreement,
- (c) any negligence or willful misconduct of the State Bar or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the State Bar with respect to the Leased Property,
- (e) the use, presence, storage, disposal or clean-up of any Hazardous Substances or toxic wastes on the Leased Property, or
- (f) the failure to comply with any Applicable Environmental Laws.

No indemnification is made under this Section or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Corporation, the Bank or their respective officers, agents, employees, successors or assigns. The indemnity hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease Agreement or the termination of the term of this Lease Agreement for any reason. The

State Bar and the Corporation each agree to promptly give notice to each other and the Bank of any claim or liability hereby indemnified against promptly upon learning thereof.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by the Corporation. The Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the State Bar under this Lease Agreement, have been assigned to the Bank pursuant to the Assignment Agreement.

Section 8.2. Assignment and Subleasing by the State Bar. This Lease Agreement may not be assigned by the State Bar. The State Bar may sublease the Leased Property or any portion thereof subject to, and delivery to the Corporation and the Bank of a certificate as to, all of the following conditions:

- (a) This Lease Agreement and the obligation of the State Bar to make Lease Payments hereunder shall remain obligations of the State Bar;
- (b) The State Bar shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Bank a true and complete copy of such sublease;
- (c) No such sublease by the State Bar shall cause the Leased Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and
- (e) The State Bar shall furnish the Corporation and the Bank with a written opinion of nationally-recognized Bond Counsel, stating that such sublease does not cause the interest components of the Tax-Exempt Lease Payments to become subject to federal income taxes or State personal income taxes.

Section 8.3. Amendment of this Lease Agreement.

(a) *Substitution of Property.* The State Bar has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), provided that the State Bar must satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (i) No Event of Default has occurred and is continuing.
- (ii) The State Bar has filed with the Corporation and the Bank, and has caused to be recorded in the office of the San Francisco County Recorder sufficient memorialization of, an amendment hereof which adds to Exhibit B hereto a description of such Substitute Property and deletes therefrom the description of such Former Property.
- (iii) The State Bar has obtained a CLTA policy of title insurance which insures the State Bar's leasehold estate hereunder in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (iv) The State Bar has certified in writing to the Corporation and the Bank that such Substitute Property serves the municipal purposes of the State Bar and constitutes property which the State Bar is permitted to lease under the laws of the State of California, and has been

determined to be essential to the proper, efficient and economic operation of the State Bar and to serve an essential governmental function of the State Bar.

- (v) The Substitute Property does not cause the State Bar to violate any of its covenants, representations and warranties made herein.
- (vi) The State Bar has certified in writing to the Corporation and the Bank that the fair rental value of the Substitute Property is at least equal to the Lease Payments for the Leased Property and the Additional Payments.
- (viii) The State Bar has obtained an opinion of Bond Counsel stating that the substitution will not cause the interest components of the Tax-Exempt Lease Payments to become subject to federal income taxes or State personal income taxes.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The State Bar is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution. The Corporation and the State Bar will execute, deliver and cause to be recorded all documents required to discharge this Lease Agreement against the Former Property

(b) *Release of Property.* The State Bar has the option at any time to release any portion of the Leased Property from this Lease Agreement and the Site Lease (the "Released Property") provided that the State Bar has satisfied all of the following requirements which are hereby declared to be conditions precedent to such release:

- (i) No Event of Default has occurred and is continuing.
- (ii) The State Bar has filed with the Corporation and the Bank, and has caused to be recorded in the office of the San Francisco County Recorder sufficient memorialization of, an amendment hereof which removes the Released Property from this Lease Agreement and the Site Lease.
- (iii) The State Bar has certified in writing to the Corporation and the Bank that the fair rental value of the property which remains subject to this Lease and the Site Lease following such removal is at least equal to the Lease Payments for the Leased Property and the Additional Payments.
- (iv) The State Bar has obtained evidence that the title insurance policy required by Section 5.6 is not adversely affected by the release.
- (v) The State Bar has obtained an opinion of Bond Counsel stating that the release will not cause the interest components of the Tax-Exempt Lease Payments to become subject to federal income taxes or State personal income taxes.

Upon the satisfaction of all such conditions precedent, the Term of this Lease Agreement will thereupon end as to the Released Property. The State Bar is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the State Bar shall execute, deliver and cause to be

recorded all documents required to discharge this Lease Agreement and the Site Lease of record against the Released Property.

(c) *Additional Lease Payments.* The State Bar has the option at any time and from time to time to amend this Lease Agreement, to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance authorized expenditures of the State Bar for the purposes of the State Bar and (B) the State Bar has certified in writing to the Corporation and the Bank that the fair rental value of the Leased Property is at least equal to the Lease Payments and such additional lease payments. Any such additional lease payments shall be documented in a new exhibit to this Lease Agreement, shall not be subject to the assignment accomplished by the Assignment Agreement and may be assigned to a third party in connection with the financing. The Lease Payments and such additional lease payments shall be payable on a pari passu basis.

(d) *Other Amendments.* In addition to the amendments provided for in subsections (a)-(c) of this Section, the Corporation and the State Bar may at any time amend or modify any of the provisions of this Lease Agreement, but only: (i) with the prior written consent of the Bank; or (ii) without the consent of the Bank, but only if such amendment or modification is for any one or more of the following purposes:

(A) to add to the covenants and agreements of the State Bar contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the State Bar;

(B) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the State Bar and the Corporation;

(C) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of the interest component of the Tax-Exempt Lease Payments; or.

(D) in any other respect whatsoever as the Corporation and the State Bar deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Bank.

Section 8.4. Costs and Expenses Borne by State Bar. All costs and expenses in connection with any of the acts associated with Sections 8.2 and 8.3 (including, but not limited to, any costs and expenses of the Bank) shall be borne by the State Bar.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be “events of default” under this Lease Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in this Lease Agreement, with respect to the Leased Property, any one or more of the following events:

- (a) Failure by the State Bar to pay any Lease Payment, Additional Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the State Bar to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Lease Agreement, other than as referred to in clauses (a) and (f) of this Section 9.1, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the State Bar by the Corporation and the Bank; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation and the Bank shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the State Bar within the applicable period and diligently pursued until the default is corrected.
- (c) The filing by the State Bar of a voluntary petition in bankruptcy, or failure by the State Bar promptly to lift any execution, garnishment or attachment, or adjudication of the State Bar as a bankrupt, or assignment by the State Bar for the benefit of creditors, or the entry by the State Bar into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the State Bar in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.
- (d) Any statement, representation or warranty made by the State Bar in or pursuant to this Lease Agreement or its execution, delivery or performance is false, incorrect, misleading or breached in any material respect and the State Bar fails to cure such breach within 30 days after written notification from the Corporation.
- (e) Any default occurs under any other agreement for borrowing money, lease financing of property or otherwise receiving credit under which the State Bar is an obligor, if such default (i) arises under any other agreement for borrowing money, lease financing of property or provision of credit provided by the Bank or any affiliate of the Bank, or (ii) arises under any obligation under which there is outstanding, owing or committed an aggregated amount in excess of \$5,000,000.
- (f) Failure by the State Bar to maintain insurance in form and substance as required by Article V.
- (g) Any default by the State Bar to observe any covenant, condition or agreement on its part to be observed or performed under the Site Lease or this Lease Agreement.

(h) Any court of competent jurisdiction shall find or rule that the Site Lease or this Lease Agreement is not valid or binding against the State Bar or the Corporation.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; *provided, however*, that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the State Bar is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Leased Property, and also, at its option, with or without such entry, may terminate this Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, the State Bar shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) In the event the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the State Bar agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, in the event the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Corporation. The State Bar hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the State Bar to enter upon and re-lease the Leased Property in the event of default by the State Bar in the performance of any covenants herein contained to be performed by the State Bar and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place within San Francisco County, for the account of and at the expense of the State Bar, and the State Bar hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The State Bar hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the State Bar that may be in or upon the Leased Property. The State Bar agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Property in the event of such re-

entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the State Bar the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) hereof.

(b) In an Event of Default hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Leased Property for the sole purpose of providing for the payment to the Corporation of the amounts owed by the State Bar under this Lease Agreement. In the event of the termination of this Lease Agreement by the Corporation at its option and in the manner hereinafter provided on account of default by the State Bar (and notwithstanding any re-entry upon the Leased Property by the Corporation in any manner whatsoever or the re-leasing of the Leased Property), the State Bar nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the State Bar shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the State Bar of the election on the part of the Corporation to terminate this Lease Agreement. The State Bar covenants and agrees that no surrender of the Leased Property and/or of the remainder of the Term of this Lease Agreement or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(c) Any amounts received by the Corporation in respect of the Lease Payments or the deficiency under this Section 9.2 and any surplus amounts received from re-leasing under this Section 9.2 shall be applied against the unpaid installments of the principal component of the Lease Payments in inverse order of due date, and the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the principal component thereby prepaid.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.5. Application of Proceeds. All net proceeds received from the re-lease or other disposition of the Leased Property under this Article IX, and all other amounts derived by the Corporation or the Bank as a result of an Event of Default hereunder, shall be transferred to the Bank promptly upon receipt thereof and after payment of all fees and expenses of the Bank, including indemnifications and attorneys fees, shall be held by the Bank in escrow to be applied to the Lease Payments in order of payment date.

Section 9.6. Bank to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Bank under the Assignment Agreement, to which assignment the State Bar hereby consents. Such rights and remedies shall be exercised by the Bank, as provided herein.

Section 9.7. Agreement to Pay Attorneys' Fees and Expenses. If any party to this Lease Agreement defaults under any of the provisions hereof and the nondefaulting party or the Bank should employ attorneys (including in-house legal counsel) or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party or the Bank, as applicable, the reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other reasonable expenses so incurred by the nondefaulting party or the Bank, as applicable.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the State Bar may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Bank or an escrow holder under an escrow deposit and trust agreement, of:

(a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit C, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Federal Securities or cash then on deposit and interest earnings thereon, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates (or date of prepayment, if applicable); or

(b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a State Bar Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such State Bar Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid State Bar Representative's certificate.

In the event of a deposit pursuant to this Section 10.1 as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Bank, all obligations of the State Bar under this Lease Agreement shall cease and terminate, excepting only the obligation of the State Bar to make, or cause to be made, all payments from the deposit made by the State Bar pursuant to this Section 10.1, and title to the Leased Property shall vest in the State Bar on the date of said deposit automatically and without further action by the State Bar or the Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments provided for by this Section 10.1 and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the State Bar for the Leased Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Leased Property in accordance with the provisions hereof. In addition, the Corporation hereby appoints the State Bar as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Leased Property in the State Bar.

Section 10.2. Optional Prepayment. The State Bar has the option to prepay the principal components of the Lease Payments in whole, from any source of legally available funds, on any Lease Payment Date, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Lease Payment Date, and a premium in the amounts and in the years set forth below:

<u>Year</u>	<u>Premium</u>
_____, 20__ through _____, 20__	2%
_____, 20__ through _____, 20__	1
_____, 20__ and thereafter	0

The State Bar shall give written notice to the Bank of its intention to prepay the Lease Payments under this Section not less than 30 days prior to the prepayment date.

Section 10.3. Mandatory Prepayment From Net Proceeds of Title Insurance or Eminent Domain. The State Bar shall be obligated to prepay the Lease Payments, without premium, in whole or in part, from and to the extent of any Net Proceeds of a title insurance or condemnation award with respect to the Leased Property. The State Bar and the Corporation hereby agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the State Bar's obligations under this Section 10.3. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the State Bar to the Bank and the Corporation.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in first-class form with postage fully prepaid:

If to the State Bar:

Chief Financial Officer
The State Bar of California
180 Howard Street
San Francisco, CA 94105

With a copy to:

General Counsel
The State Bar of California
180 Howard Street
San Francisco, CA 94105

If to the Corporation:

Public Property Financing Corporation of California
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attention: Secretary

If to the Bank:

Attention: _____
Email: _____

The Corporation, the State Bar and the Bank, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Reserved.

Section 11.3. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation, the State Bar, the Bank and their respective successors and assigns.

Section 11.4. Severability. In the event any provision of this Lease 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 11.5. Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the State Bar hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Section 11.6. Further Assurances and Corrective Instruments. The Corporation and the State Bar agree that they will, from time to time, execute, acknowledge and deliver, or cause to be

executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intentions of this Lease Agreement.

Section 11.7. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.9. Corporation and State Bar Representatives. Whenever under the provisions of this Lease Agreement the approval of the Corporation or the State Bar is required, or the Corporation or the State Bar is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the State Bar by a State Bar Representative, and each party hereto shall be authorized to rely upon any such approval or request.

Section 11.10. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

Section 11.11. Bank as Third Party Beneficiary. The parties hereto expressly acknowledge and agree that the Bank is an intended third party beneficiary of this Lease Agreement and a direct beneficiary under the Assignment Agreement and shall have the rights specified herein and therein. Without limiting the generality of the foregoing, any and all rights reserved to the Corporation hereunder shall be jointly held by the Corporation and the Bank.

Section 11.12. Time of the Essence. Time is of the essence in the payment and performance of each obligation hereunder.

Section 11.13. Entire Agreement. This Lease Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior written or oral understandings and agreements with respect thereto.

Section 11.14. Attorneys' Fees. If suit is brought to enforce any terms, covenants or conditions of this Lease Agreement, the parties agree that the losing party shall pay the prevailing party's reasonable attorneys' fees, including reasonable attorneys' fees incurred in enforcing a judgment, which shall be fixed by the court and court costs. As used herein, the term "prevailing party" shall mean the party, which has succeeded upon a significant issue in the litigation and achieved a material benefit with respect to the claims at issue, taken as a whole.

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

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA, as Lessor**

By _____

Name: _____

Title: _____

THE STATE BAR OF CALIFORNIA, as Lessee

By: _____

Name: _____

Title: _____

EXHIBIT A
DEFINITIONS

“Additional Payments” means the payments authorized under Section 4.7 of the Lease Agreement.

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

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

“Assignment Agreement” means the Assignment Agreement, dated as of _____ 1, 2021, by and between the Corporation, as assignor, and the Bank, as assignee, together with any duly authorized and executed amendments thereto.

“Bank” means _____, a national banking association organized and existing under the laws of the United States of America, the assignee of the Corporation on the Closing Date, and its successors and assigns.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the State Bar and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of obligations issued by public entities.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state of New York are located are closed or are required to close or a day on which the New York Stock Exchange is closed.

“Closing Date” means _____, 2021.

"Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable regulations promulgated under the Code.

"Corporation" means the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State.

"Corporation Representative" means the President, Treasurer or Secretary of the Corporation, or the designee of any such official, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease Agreement and the Site Lease, and identified as such to the State Bar and the Bank in writing.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the State Bar or the Corporation relating to the execution and delivery of the Site Lease, the Lease Agreement, and the Assignment Agreement, or the execution and delivery of the Lease Agreement, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, and charges and fees in connection with the foregoing.

"Costs of Issuance Custodian" means The Bank of New York Mellon Trust Company, N.A. or its successors and assigns under the Costs of Issuance Custodian Agreement.

"Costs of Issuance Custodian Agreement" means that certain Costs of Issuance Custodian Agreement, dated the Closing Date, by and between the State Bar and the Costs of Issuance Custodian.

"Defeasance Obligations" means (a) cash, or (b) non-callable Federal Securities.

"Event of Default" or "Default" means an event of default under the Lease Agreement, as defined in Section 9.1 thereof.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the State Bar and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Federal Securities" means direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury) or

obligations the payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Fiscal Year” means the twelve-month period beginning on January 1 of any year and ending on December 31 of the next succeeding year, or any other twelve-month period selected by the State Bar as its fiscal year.

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

“Lease Agreement” means this Lease Agreement for the lease of the Leased Property by the Corporation, as lessor, to the State Bar, as lessee, dated as of _____ 1, 2021, together with any duly authorized and executed amendments thereto.

“Lease Payment Date” means the the 30th calendar day of March, June, September and December in each year during the Term of the Lease Agreement, commencing _____, 20__, provided, that if any such day is not a Business Day, the Lease Payment due on said day shall be due on the next occurring Business Day.

“Lease Payments” means, collectively, the Tax-Exempt Lease Payments and the Taxable Lease Payments required to be paid by the State Bar pursuant to Section 4.4 of the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in Exhibit C to the Lease Agreement plus, in the case of prepayment, a prepayment premium, if any.

“Leased Property” means: (i) initially, the land more particularly described on Exhibit B, including the San Francisco Office Building; (i) the Project, and (iii) any other property substituted therefor in accordance with Section 8.3. From and after the date of any substitution of property under Section 8.3, the term “Leased Property” means the land, together with all structures and improvements located thereon, that remains subject to this Lease Agreement following such substitution.

“Net Proceeds,” when used with respect to insurance or condemnation proceeds, means any insurance proceeds, condemnation award or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers) paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Outstanding,” when used as of any particular time with respect to the Lease Payments, means all Lease Payments scheduled but unpaid, except Lease Payments for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Bank or an escrow holder (whether upon or prior to the maturity or prepayment date of such Lease Payments).

"Permitted Encumbrances" means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the State Bar may, pursuant to provisions of Article V of the Lease Agreement, permit to remain unpaid; (b) the Assignment Agreement; (c) the Site Lease; (d) the Lease Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the State Bar certifies in writing will not materially impair the use or reduce the value of the Leased Property and (g) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued on or immediately following the Closing Date.

"Permitted Investments" means securities and other investments in which the State Bar may invest under the State Bar's Office of Finance Investment Policy , as amended from time to time, and subject to the limitations and procedures set forth therein, but only to the extent that the same are acquired at Fair Market Value .

"Project" means (i) improvements to the San Francisco Office Building, (ii) improvements to the State Bar's Los Angeles office building located at 845 South Figueroa Street, Los Angeles, California, (iii) the acquisition of certain hardware and software necessary to operate the State Bar and (iv) such other capital projects as may be defined by the State Bar pursuant to Section 3.4.

"Project Costs" means, with respect to the Project, all costs of the acquisition and construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition and construction of the Project;
- (b) obligations incurred for labor and materials in connection with the acquisition and construction of the Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition and construction of the Project;
- (d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition and construction of the Project;
- (e) any sums required to reimburse the State Bar for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the State Bar, which are properly chargeable to the acquisition and construction of the Project; and
- (f) all financing costs incurred in connection with the acquisition and construction of the Project, including but not limited to financing costs incurred in connection with this Lease and the financing of the Project; and

“Project Fund” means the fund by that name established and held by the Project Fund Custodian for the benefit of the State Bar under Section 3.2 and the Project Fund Custodian Agreement.

“Project Fund Custodian” means The Bank of New York Mellon Trust Company, N.A, or its successors and assigns under the Project Fund Custodian Agreement.

“Project Fund Custodian Agreement” means that certain Project Fund Custodian Agreement, dated the Closing Date, by and between the State Bar and the Project Fund Custodian.

“Rental Period” means each twelve-month period during the Term of the Lease Agreement or the Term of the Site Lease, as applicable, commencing on December 31 in any year and ending on December 30 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on December 30, 20__.

“Site Lease” means that certain agreement for the lease of the Leased Property by the State Bar, as lessor, to the Corporation, as lessee, dated as of _____ 1, 2021, together with any duly authorized and executed amendments thereto.

“State” means the State of California.

“State Bar” means The State Bar of California, a public corporation organized and existing under the Constitution and laws of the State.

“State Bar Representative” means the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or the designee of any such official, or any other person authorized to act on behalf of the State Bar under or with respect to the Lease Agreement and the Site Lease, and identified as such to the Bank in writing.

“Taxable Account” means the account in the Project Fund by that name established and held by the Project Fund Custodian for the benefit of the State Bar under Section 3.2.

“Taxable Lease Payments” means the payments required to be paid by the State Bar pursuant to Section 4.4 of the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in Exhibit C to the Lease Agreement plus, in the case of prepayment, a prepayment premium, if any.

“Tax-Exempt Account” means the account in the Project Fund by that name established and held by the Project Fund Custodian for the benefit of the State Bar under Section 3.2.

“Tax-Exempt Lease Payments” means the payments required to be paid by the State Bar pursuant to Section 4.4 of the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in Exhibit C to the Lease Agreement plus, in the case of prepayment, a prepayment premium, if any.

“Term of the Lease Agreement” means the time during which the Lease Agreement is in effect, as provided in Section 4.2 of the Lease Agreement.

“Term of the Site Lease” means the time during which the Site Lease is in effect, as provided in Section 4.2 of the Site Lease.

EXHIBIT B

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of certain real property, together with all buildings, facilities and other improvements located thereon, and together with the right of ingress and egress which is more particularly described as follows:

- San Francisco Office Building located at 180 Howard Street in San Francisco, California, County of San Francisco
- The land referred to in this Exhibit A situated in the City of San Francisco, County of San Francisco, State of California, described as follows:

Parcel One:

Beginning at a point on the Northwestern line of Howard Street, distant thereon 91 feet and 8 inches Northeasterly from the Northeasterly line of Main Street; running thence Northeasterly along said Northwestern line of Howard Street 45 feet and 10 inches; thence at a right angle Northwestern parallel with Main Street 137 feet and 6 inches; thence at a right angle Southwesterly and parallel with Howard Street 45 feet and 10 inches; and thence at a right angle Southeasterly 137 feet and 6 inches to the point of beginning on Howard Street.

Being Beach and Water Lot 709.

Parcel Two:

Beginning at a point on the Northeasterly line of Main Street, distant thereon 100 feet Northwesternly from the Northwestern line of Howard Street; running thence Northwesternly along said line of Main Street 37 feet and 6 inches; thence at a right angle Northeasterly 91 feet and 8 inches; thence at a right angle Southeasterly 37 feet and 6 inches; thence at a right angle Southwesterly 91 feet and 8 inches to the point of beginning.

Being a portion of 100 Vara Block No. 325.

Parcel Three:

Beginning at the point of intersection of the Northeasterly line of Main Street and the Northwesternly line of Howard Street; running thence Northwesternly along said line of Main Street 100 feet; thence at a right angle Northeasterly 91 feet and 8 inches; thence at a right angle Southeasterly 100 feet to the Northwesternly line of Howard Street; thence at a right angle Southwesterly along said line of Howard Street 91 feet and 8 inches to the point of beginning.

Being a portion of 100 Vara Block No. 325.

Assessor's block 3717, lot 020

Parcel Four:

A nonexclusive right, privilege and easement for the purposes of pedestrian passage, ingress and egress and for drainage of rain and other water on, over and across the 120 courtyard area, as granted in that certain "Reciprocal Easement Agreement" recorded March 22, 1996, in Book G595, at Page 460, Instrument No. 96-F946965-00, Official Records, more particularly described as follows:

Commencing for reference at the intersection of the Southwesterly line of Spear Street and the Northwesterly line of Howard Street; thence proceeding Southwesterly 137.50 feet along said Northwesterly line of Howard Street to a point lying 137.50 feet Northeasterly from the Northeasterly line of Main Street, said point being the true point of beginning; thence proceeding Northwesterly 183.33 feet; thence at a right angle Northeasterly 41.65 feet; thence at a right angle Southeasterly 25.50 feet; thence at a right angle Southwesterly 19.13 feet; thence southerly at an angle to the right of 135°, 3.32 feet; thence Southeasterly at an angle to the right of 135°, 153.16 feet; thence easterly at an angle to the right of 135°, 3.28 feet to the Northwesterly line of Howard Street; thence Southwesterly along said Northwesterly line of Howard Street 22.50 feet to the true point of beginning.

Also being a portion of 100 Vara Block No. 325.

Assessor's Lot 20, Block 3717

APN: 3717 -020
(End of Legal Description)

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS

Taxable Lease Payments

Payment Date	Principal Component	Interest Component	Total Lease Payment
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Totals

Tax-Exempt Lease Payments

Payment Date	Principal Component	Interest Component	Total Lease Payment
-------------------------	--------------------------------	-------------------------------	--------------------------------

Totals

Jones Hall draft 5-25-21

TO BE RECORDED AND WHEN RECORDED
RETURN TO:

Jones Hall,
A Professional Law Corporation
475 Sansome Street, 17th Floor
San Francisco, California 94111
Attention: Christopher K. Lynch, Esq.

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

Dated as of _____ 1, 2021

by and between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

and

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, is made and entered into as of _____ 1, 2021, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and _____, a national banking association duly organized and existing under the laws of the United States of America, as assignee (including its successors and assigns, the "Bank").

WITNESSETH:

In the joint and mutual exercise of their powers, in consideration of the mutual covenants herein contained, and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto recite and agree as follows:

Section 1. Recitals.

(a) The Corporation and The State Bar of California (the "State Bar"), have entered into a Lease Agreement, dated as of _____ 1, 2021, which Lease Agreement is being recorded concurrently herewith (the "Lease Agreement"), whereby the Corporation has agreed to lease to the State Bar, and the State Bar has agreed to lease from the Corporation, the land and improvements constituting the State Bar's San Francisco office building located at 180 Howard Street, San Francisco, California as such land is described in Exhibit A hereto (the "Leased Property"), in the manner and on the terms set forth in the Lease Agreement, which terms include, without limitation, the obligation of the State Bar to pay lease payments described in Exhibit C of the Lease Agreement (the "Lease Payments") to the Corporation in consideration of the State Bar's use and enjoyment of the Leased Property.

(b) The Bank has agreed to acquire certain rights and interests of the Corporation under the Lease Agreement and the Site Lease, dated as of _____ 1, 2021, by and between the Corporation and the State Bar (the "Site Lease"), which Site Lease is being recorded concurrently herewith, and the purchase price for such rights and interests will be made to the State Bar on the date to be agreed upon by the State Bar, the Corporation and the Bank.

(c) Each of the parties has the power and authority to enter into this Assignment Agreement and has taken all actions necessary to authorize its officers to execute it.

Section 2. Assignment. The Corporation, for good and valuable consideration, hereby transfers, assigns and sets over to the Bank, effective on the Closing Date, all of the Corporation's rights and interests under the Site Lease and the Lease Agreement (excepting only the Corporation's rights under Sections 5.8 and 7.3 of the Lease Agreement), including without limitation (i) the right to receive and collect all of the Lease Payments from the State Bar, (ii) the right to receive and collect certain proceeds of insurance maintained thereunder and of any condemnation award rendered with respect to the Leased Property, (iii) the right to exercise such rights and remedies conferred on the Corporation pursuant to the Site Lease and Lease Agreement as may be necessary or convenient (A) to enforce payment of the Lease Payments, or (B) otherwise to protect the interests of the Bank in the event of a default by State Bar under the Site Lease and Lease Agreement, and (iv) the right to take all actions and give all consents under the Site Lease and the Lease Agreement. The assignment made under this Section is absolute and irrevocable, and without recourse to the Corporation.

The Corporation and the Bank agree that the Bank shall have no right to any additional lease payments described in Section 8.3(c) of the Lease Agreement, and that such lease payments may be pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance authorized expenditures of the State Bar for the purposes of the State Bar. The Corporation and the Bank further acknowledge and agree to the provisions of Section 5.7 of the Lease Agreement.

Section 3. Representation and Agreements of the Corporation. The Corporation hereby represents, warrants, acknowledges and agrees to and for the benefit of the Bank as follows:

(a) The Corporation has made no prior sale or assignment of any of its right, title or interest in the Site Lease and the Lease Agreement and has not mortgaged or granted a security interest or otherwise encumbered its right, title and interest therein.

(b) The Site Lease and the Lease Agreement are genuine and in all respects are what they report to be and are in full force and effect, and neither the State Bar nor the Corporation is in default thereunder;

(c) The Bank is not liable for and does not assume responsibility for the performance of any of the covenants, agreements, duties or obligations specified in the Lease Agreement or the Site Lease to be kept, paid, or performed by the Corporation;

(d) The Bank has paid or agreed to pay \$_____ for the assignment of certain rights and interests of the Corporation in the Lease Agreement and the Site Lease;

(e) The Site Lease and the Lease Agreement are in full force and effect and the State Bar is not in default of any of the terms set forth therein.

Section 4. Acceptance; Transfer.

(a) *Acceptance.* The Bank represents that (i) it accepts this interest in the Site Lease and the Lease Agreement for its own account and will not make a public offering of the interests conveyed hereby, and is not entering into the assignment for the purpose of transferring or assigning its rights hereunder in a manner that would constitute a public offering, (ii) it is paying the price of par for its interest in the Site Lease and the Lease Agreement, (iii) it will treat its interest in the Site Lease and the Lease Agreement as an investment for federal income tax purposes, and (iv) it is either a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended, or an "accredited investor" as defined in Section 501(a) (1), (2), (3) or (7) of Regulation D promulgated under the Securities Act of 1933, as amended.

(b) *Transfer.* The Bank may, at any time, sell, transfer or assign its rights and interests in the Lease Agreement and the Site Lease in whole as it may determine to be in its best interests but agrees that any such sale, transfer or assignment by the Bank shall be to: (i) an affiliate of the Bank that is an accredited investor or qualified institutional buyer or (ii) a bank, insurance company or other financial institution (or its affiliate) that the Bank has provided reasonable evidence to the State Bar is a qualified institutional buyer. In all cases, (i) the Bank shall provide at least 30 days' prior written notice to the State Bar of the name, address and contact person of such transferee and (ii) the transferee must execute and deliver to the Corporation and the State Bar a letter substantially in the form of the Investor Letter from the Bank dated as of the

Closing Date. In the event that the Bank transfers its interests in the Lease Agreement in the future, the Bank understands that it has the responsibility for complying with any applicable federal and state securities laws and all rules and regulations promulgated pursuant thereto.

Following any such sale, transfer or assignment, the State Bar shall continue to pay all Lease Payments under the Lease Agreement to the Bank, and the Bank shall be responsible for transferring such Lease Payments to the transferee.

Section 5. Acceptance. The Bank hereby accepts the assignments made herein for the purpose of securing the payments due pursuant to the Lease Agreement and the rights under the Lease Agreement.

In addition, by accepting the assignments made herein, the Bank hereby agrees to the provisions of the Lease Agreement expressly imposing obligations on the Bank.

Section 6. Execution in Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

Public Property Financing Corporation of
California

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of certain real property, together with all buildings, facilities and other improvements located thereon, and together with the right of ingress and egress which is more particularly described as follows:

- San Francisco Office Building located at 180 Howard Street in San Francisco, California, County of San Francisco
- The land referred to in this Exhibit A situated in the City of San Francisco, County of San Francisco, State of California, described as follows:

Parcel One:

Beginning at a point on the Northwestern line of Howard Street, distant thereon 91 feet and 8 inches Northeasterly from the Northeasterly line of Main Street; running thence Northeasterly along said Northwestern line of Howard Street 45 feet and 10 inches; thence at a right angle Northwestern parallel with Main Street 137 feet and 6 inches; thence at a right angle Southwesterly and parallel with Howard Street 45 feet and 10 inches; and thence at a right angle Southeasterly 137 feet and 6 inches to the point of beginning on Howard Street.

Being Beach and Water Lot 709.

Parcel Two:

Beginning at a point on the Northeasterly line of Main Street, distant thereon 100 feet Northwesternly from the Northwestern line of Howard Street; running thence Northwesternly along said line of Main Street 37 feet and 6 inches; thence at a right angle Northeasterly 91 feet and 8 inches; thence at a right angle Southeasterly 37 feet and 6 inches; thence at a right angle Southwesterly 91 feet and 8 inches to the point of beginning.

Being a portion of 100 Vara Block No. 325.

Parcel Three:

Beginning at the point of intersection of the Northeasterly line of Main Street and the Northwesternly line of Howard Street; running thence Northwesternly along said line of Main Street 100 feet; thence at a right angle Northeasterly 91 feet and 8 inches; thence at a right angle Southeasterly 100 feet to the Northwesternly line of Howard Street; thence at a right angle Southwesterly along said line of Howard Street 91 feet and 8 inches to the point of beginning.

Being a portion of 100 Vara Block No. 325.

Assessor's block 3717, lot 020

Parcel Four:

A nonexclusive right, privilege and easement for the purposes of pedestrian passage, ingress and egress and for drainage of rain and other water on, over and across the 120 courtyard area, as granted in that certain "Reciprocal Easement Agreement" recorded March 22, 1996, in Book G595, at Page 460, Instrument No. 96-F946965-00, Official Records, more particularly described as follows:

Commencing for reference at the intersection of the Southwesterly line of Spear Street and the Northwesterly line of Howard Street; thence proceeding Southwesterly 137.50 feet along said Northwesterly line of Howard Street to a point lying 137.50 feet Northeasterly from the Northeasterly line of Main Street, said point being the true point of beginning; thence proceeding Northwesterly 183.33 feet; thence at a right angle Northeasterly 41.65 feet; thence at a right angle Southeasterly 25.50 feet; thence at a right angle Southwesterly 19.13 feet; thence southerly at an angle to the right of 135°, 3.32 feet; thence Southeasterly at an angle to the right of 135°, 153.16 feet; thence easterly at an angle to the right of 135°, 3.28 feet to the Northwesterly line of Howard Street; thence Southwesterly along said Northwesterly line of Howard Street 22.50 feet to the true point of beginning.

Also being a portion of 100 Vara Block No. 325.

Assessor's Lot 20, Block 3717

APN: 3717 -020
(End of Legal Description)

Jones Hall draft 6-1-21**COSTS OF ISSUANCE CUSTODIAN AGREEMENT**

This Costs of Issuance Custodian Agreement (this "Agreement") is dated _____, 2021 and is entered into between THE STATE BAR OF CALIFORNIA, a public corporation organized and existing under the Constitution and laws of the State of California (the "State Bar") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as costs of issuance custodian (the "Custodian").

The State Bar hereby appoints the Custodian to act as custodian for the payment of certain costs of issuance relating to the execution and delivery of a Lease Agreement dated as of _____, 2021 (the "Lease Agreement"), by and between the State Bar and the Public Property Financing Corporation of California, Inc., which provides for the refinancing of an outstanding loan and the financing of capital projects, as further described therein. This Agreement sets out the terms and conditions of said appointment.

The State Bar and the Custodian agree as follows:

1. On the date hereof the Custodian shall deposit \$_____ of the proceeds of the Lease Agreement received from or on behalf of the State Bar in a custody account, the account number being 9776508400 (the "Costs of Issuance Account") established with the Custodian in the name of the State Bar.
2. The Custodian will pay costs of issuance relating to the Lease Agreement as directed by the State Bar from time to time via a written order executed by the Chief Financial Officer of the State Bar. Exhibit A hereto constitutes the first such written order and the Custodian is directed to pay such costs. The Custodian is not responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such written order on behalf of the State Bar or responsible for whether or not any payment so directed to be paid is an authorized cost of issuance.
3. Funds held hereunder shall be the property of the State Bar, subject only to the claims for payment of authorized costs of issuance relating to the Lease Agreement as provided in paragraph 2 hereof. Unless otherwise directed by the State Bar in accordance with Section 4, the Custodian shall hold such funds in cash, uninvested. Any balances remaining in the Costs of Issuance Account (including any earnings) on _____, 2021 will be disbursed to the State Bar and used to pay the Tax-Exempt Lease Payments.
4. The Custodian shall not invest any cash held hereunder in the absence of timely and specific written direction from the State Bar. In no event shall the Custodian be liable for the selection of investments or for investment losses incurred thereon. The Custodian shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the State Bar to provide timely written investment direction. The Custodian may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Agreement. The Custodian may conclusively rely upon such written direction from the State Bar as to both the suitability

and legality of the directed investments. The State Bar acknowledges that regulations of the Comptroller of the Currency grant the State Bar the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the State Bar specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Custodian that no brokerage confirmations need be sent relating to the security transactions as they occur.

5. This Agreement will terminate on the earlier of the date when all funds deposited hereunder have been spent, or on _____, 2021.

6. This Agreement shall be governed by the laws of the State of California.

7. The liability of the Custodian is limited to the duties listed above, which shall be deemed purely ministerial in character, and no implied covenants or obligations shall be read into this Agreement against the Custodian. The Custodian will not be liable for any action taken or omitted to be taken by it under this Agreement or in connection herewith except to the extent caused by the Custodian's negligence or willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Custodian be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Custodian has been advised of the likelihood of such loss or damage and regardless of the form of action.

None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Custodian may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Custodian may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Custodian shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Custodian, or another method or system specified by the Custodian as available for use in connection with its services hereunder); provided, however, that the State Bar shall provide to the Custodian an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the State Bar whenever a person is to be added or deleted from the listing. If the State Bar elects to give the Custodian Instructions using Electronic Means and the Custodian in its discretion elects to act upon such Instructions, the Custodian's understanding of such Instructions shall be deemed controlling. The State Bar understands and agrees that the Custodian

cannot determine the identity of the actual sender of such Instructions and that the Custodian shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Custodian have been sent by such Authorized Officer. The State Bar shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Custodian and that the State Bar and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the State Bar. The Custodian shall not be liable for any losses, costs or expenses arising directly or indirectly from the Custodian's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The State Bar agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Custodian, including without limitation the risk of the Custodian acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Custodian and that there may be more secure methods of transmitting Instructions than the method(s) selected by the State Bar; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Custodian immediately upon learning of any compromise or unauthorized use of the security procedures.

To the extent permitted by law, the State Bar hereby agrees to indemnify and hold harmless the Custodian and its officers, directors, agents, and employees from and against any and all costs, claims, liabilities, losses, or damages whatsoever (including reasonable costs and fees of counsel, auditors or other experts), asserted or arising out of or in connection with the acceptance or administration of this Agreement, except costs, claims, liabilities, losses, or damages resulting from the negligence or willful misconduct of the Custodian including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties hereunder and of enforcing this indemnification provision. The indemnifications set forth herein shall survive the termination of this Agreement and/or the resignation or removal of the Custodian.

8. The Parties acknowledge and agree that this Agreement may be executed by an electronic signature.

Executed as of the date first above written.

THE STATE BAR OF CALIFORNIA

By _____
Chief Financial Officer

Custodian:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
a national banking association

By: _____
Authorized Representative

EXHIBIT A

REQUISITION NO. 1 FROM COSTS OF ISSUANCE ACCOUNT

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
Jones Hall	Bond Counsel	
Fieldman, Rolapp and Advisors, Inc.	Municipal Advisor	
Brandis Tallman	Placement Agent	
Public Property Fin. Corp.	Corporation	
Parker Covert	Corporation's Counsel	
Stewart Title	Title Insurance	
Bank of New York	COI Custodian	
CDIAC	State Fees	
Contingency		

Jones Hall draft 6-1-21**PROJECT FUND CUSTODIAN AGREEMENT**

This Project Fund Custodian Agreement (this "Agreement") is dated _____, 2021 (the "Closing Date") and is entered into between THE STATE BAR OF CALIFORNIA, a public corporation organized and existing under the Constitution and laws of the State of California (the "State Bar") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as Project Fund custodian (the "Custodian").

The State Bar hereby appoints the Custodian to act as custodian for the payment of certain capital costs relating to a Lease Agreement dated as of _____, 2021 (the "Lease Agreement"), by and between the State Bar and the Public Property Financing Corporation of California, Inc., which provides for the refinancing of an outstanding loan and the financing of capital projects, as further described therein. This Agreement sets out the terms and conditions of said appointment. Capitalized terms used herein but not defined herein have the meaning given them in the Lease Agreement.

The State Bar and the Custodian agree as follows:

1. On the date hereof the Custodian shall establish a Project Fund in which there shall be two custody accounts: (i) the "Tax-Exempt Account" (account number _____), into which the State Bar will deposit \$_____ on the Closing Date and (ii) the "Taxable Account" (account number _____), into which the State Bar will deposit \$_____ on the Closing Date. Funds held hereunder shall be the property of the State Bar, subject only to the claims for payment of authorized Project Costs as provided in paragraph 2 hereof.

2. The Custodian will disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the State Bar for payment of Project Costs) as directed by the State Bar from time to time via a written order executed by the Chief Financial Officer, the Chief Operating Officer or the Chief Executive Officer of the State Bar, in substantially the form of Exhibit A. The Custodian is not responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such written order on behalf of the State Bar or responsible for whether or not any payment so directed to be paid is an authorized Project Cost.

3. Upon the determination by the State Bar that the construction of the Project has been substantially completed, the State Bar shall, in its sole discretion, direct the Custodian to disburse the amounts remaining in the Project Fund to (a) finance additional projects and facilities of the State Bar, and/or (b) prepay the Lease Payments, but only after receiving an opinion of Bond Counsel that such application will not adversely impact the tax-exempt status of the interest component of the Tax-Exempt Lease Payments.

4. Amounts on deposit in the Project Fund shall be invested solely in investments authorized for the investment of State Bar funds under applicable law. Principal and interest earnings from each investment will be deposited directly into the

applicable Account of the Project Fund for disbursement according to paragraph 2 of this Agreement.

Except as otherwise provided in the following paragraph, the State Bar covenants that all investments of amounts deposited in the Tax-Exempt Account, or otherwise containing gross proceeds of the Tax-Exempt Lease Payments (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code will be valued at their present value (within the meaning of section 148 of the Code).

In no event shall the Custodian be liable for the selection of investments or for investment losses incurred thereon. The Custodian shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the State Bar to provide timely written investment direction. The Custodian may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Agreement. The Custodian may conclusively rely upon such written direction from the State Bar as to both the suitability and legality of the directed investments. The State Bar acknowledges that regulations of the Comptroller of the Currency grant the State Bar the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the State Bar specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Custodian that no brokerage confirmations need be sent relating to the security transactions as they occur.

5. This Agreement will terminate on the earlier of the date when all funds deposited hereunder have been disbursed by the Custodian.

6. This Agreement shall be governed by the laws of the State of California.

7. The liability of the Custodian is limited to the duties listed above, which shall be deemed purely ministerial in character, and no implied covenants or obligations shall be read into this Agreement against the Custodian. The Custodian will not be liable for any action taken or omitted to be taken by it under this Agreement or in connection herewith except to the extent caused by the Custodian's negligence or willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Custodian be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Custodian has been advised of the likelihood of such loss or damage and regardless of the form of action.

None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Custodian may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Custodian may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents,

attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Custodian shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Custodian, or another method or system specified by the Custodian as available for use in connection with its services hereunder); provided, however, that the State Bar shall provide to the Custodian an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the State Bar whenever a person is to be added or deleted from the listing. If the State Bar elects to give the Custodian Instructions using Electronic Means and the Custodian in its discretion elects to act upon such Instructions, the Custodian's understanding of such Instructions shall be deemed controlling. The State Bar understands and agrees that the Custodian cannot determine the identity of the actual sender of such Instructions and that the Custodian shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Custodian have been sent by such Authorized Officer. The State Bar shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Custodian and that the State Bar and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the State Bar. The Custodian shall not be liable for any losses, costs or expenses arising directly or indirectly from the Custodian's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The State Bar agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Custodian, including without limitation the risk of the Custodian acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Custodian and that there may be more secure methods of transmitting Instructions than the method(s) selected by the State Bar; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Custodian immediately upon learning of any compromise or unauthorized use of the security procedures.

To the extent permitted by law, the State Bar hereby agrees to indemnify and hold harmless the Custodian and its officers, directors, agents, and employees from and against any and all costs, claims, liabilities, losses, or damages whatsoever (including reasonable costs and fees of counsel, auditors or other experts), asserted or arising out of or in connection with the acceptance or administration of this Agreement, except costs, claims, liabilities, losses, or damages resulting from the negligence or willful misconduct of the Custodian including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties hereunder and of enforcing this indemnification provision. The indemnifications set forth herein shall survive the termination of this Agreement and/or the resignation or removal of the Custodian.

8. The Parties acknowledge and agree that this Agreement may be executed by an electronic signature.

Executed as of the date first above written.

THE STATE BAR OF CALIFORNIA

By _____
Chief Financial Officer

Custodian:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
a national banking association

By: _____
Authorized Representative

EXHIBIT A

FORM OF REQUISITION FROM PROJECT FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Chief Financial Officer of the State Bar of California, a public corporation organized and existing under the Constitution and laws of the State of California (the "State Bar") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) In that capacity, I am authorized to submit this Written Requisition under Section 2 of that certain Project Fund Custodian Agreement, dated _____, 2021 ("Agreement").

(iii) The undersigned hereby requests and authorizes the Trustee to disburse from the account(s) within the Project Fund established under the Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project Cost (as defined in the Agreement) as described on attached Schedule A;

(iv) the disbursements described on the attached Schedule A will pay for Project Costs, and are properly chargeable to the specified account of the Project Fund;

(v) no portion of the amount herein requested to be disbursed was set forth in any Written Requisition previously filed requesting disbursement; and

(vi) the requisition of moneys in the Tax-Exempt Account of the Project Fund and the use of such moneys as proposed by the State Bar will not cause the State Bar to violate the covenants set forth in Section 5.11 of that certain Lease Agreement, dated as of July 1, 2021, by and between the State Bar and the Public Property Financing Corporation of California, which covenants are incorporated herein by this reference.

Dated: _____

STATE BAR OF CALIFORNIA

By: _____
Chief Financial Officer

SCHEDULE A

<u>Payee Name and Address</u>	<u>Purpose of Payment</u>	<u>Amount*</u>	<u>Account</u>