

October 15, 2019

Mr. Mike Cavanaugh
Hilltop Securities, Inc.
2533 South Coast Hwy Suite #250
Cardiff, CA 92007

Subject: Term Sheet for the City of Hercules Reassessment District No. 2005-1 (John Muir Parkway)

Based upon our discussions and preliminary review of the information provided to-date, Opus Bank ("Bank") is pleased to present to the City of Hercules ("Borrower") this Letter of Intent which provides for approximately \$3,050,000 in limited obligation improvement refunding financing (Credit Facility).

This letter is not meant to contain, nor shall it be construed as a commitment to make a loan, nor does this letter necessarily contain all of the terms and conditions involved in the proposed financing. Rather it is intended only to outline the basic terms of the proposed financing that the Bank is prepared to consider, subject to the Bank's credit approval, and from which final terms and documents will be structured in the event that a credit commitment is made and accepted. Naturally, a final commitment must be in writing, will be subject to various conditions and will require the execution of a loan agreement and other documentation acceptable to the Bank.

In an effort to be responsive to your needs, we would like to be assured that the general terms we have outlined are acceptable to you before we continue the loan application process and initiate our due diligence. Therefore we suggest you review the following term sheet and if acceptable, please indicate your desire to proceed by signing and returning a copy to continue the due diligence process. Acceptance of this Letter of Intent will constitute your instruction to the Bank to commence its due diligence and continue its loan approval process.

Once we have received your acceptance, we will begin the due diligence and credit approval process. This proposal, if not accepted in writing and returned to us, will expire on 10/29/2019. The terms and conditions contained in this proposal will supersede any prior proposal. If you have any questions, you can contact me at (916) 945-5133 or dsemenov@opusbank.com.

We appreciate the opportunity to build our relationship with you by proposing this financing and we look forward to a favorable response from you.

Sincerely,



Dmitry A. Semenov
Senior Vice President, Public Finance

LETTER OF INTENT
City of Hercules Reassessment District No. 2005-1
(John Muir Parkway)
10/15/2019

TERM CREDIT FACILITY:

Borrower:	City of Hercules
Proposed Loan Amount:	Approximately \$3,050,000 (amount to be finalized during due diligence process)
Purpose:	Refinance outstanding debt and fund costs of issuance
Interest Rate:	2.27% (tax-exempt, bank-qualified, computed on the basis of a 360-day year of twelve 30-day months). This interest rate will be held through December 4, 2019. If the Credit Facility does not close on or before December 4, 2019, the Bank reserves the right to adjust the interest rate to reflect market interest rate environment changes.
Repayment:	Annual principal payments on September 2, commencing on September 2, 2020. Semi-annual interest payments on March 2 and September 2, commencing on September 2, 2020.
Maturity:	September 2, 2035
Average Life:	Not to exceed 8.74 years
Prepayment:	<p>The following prepayment options are available:</p> <ul style="list-style-type: none">A. Prepayment penalty of 5-5-5-5-5-4-4-4-4-4-3-2-2-1%, corresponding to each year of the term; orB. No prepayment is allowed in the first 10 years and then Credit Facility can be prepaid without prepayment penalty. <p>Under both prepayment options above, all property owners can prepay their assessments on any payment date at par.</p>
Debt Service Reserve Fund:	A debt service reserve fund in the amount of 25% of maximum annual debt service shall be maintained as long as the Credit Facility remains outstanding.
Collateral:	The Credit Facility will be secured by and payable from the reassessment installments levied and collected on the ad valorem real property tax bills sent to owners of property within the City of Hercules Reassessment District No. 2005-1 (John Muir Parkway) having unpaid assessments outstanding.

SUBJECT TO:

- Standard and reasonable representations and warranties of the Borrower for a financing of this type including but not limited to existence and authority, capitalization, accuracy of information presented, no litigation, etc.
- Completion of due diligence and documentation customary for this type of transaction.

COVENANTS AND CONDITIONS:

Financial Reporting:

- Annual audited financial statements of the City

- Annual report on the Borrower's property tax base and levy, including information on the assessed value, delinquency information, and land ownership summary for 10 largest property owners.
- Other information as may be determined during due diligence process

Financial and Other Covenants:

- No additional debt is allowed
- Covenant to commence Superior Court foreclosure shall continue to be in place

OTHER REQUIREMENTS:

- Borrower is responsible for all costs of issuance, including, but not limited to CDIAC, bond counsel and bank's counsel costs. The bank's counsel fees should not exceed \$10,000.
- Loan fee of \$1,000 will cover the costs of issuance wires and processing of draws, **if necessary**.
- Failure to provide required financial information will be considered an event of default.
- The bond counsel shall provide the tax opinion.
- The Credit Facility will be funded on or before December 4, 2019.

DISCLOSURES:

The Bank will book the Credit Facility as a loan, and, therefore, the additional provisions and conditions set forth in this letter shall be included in the documentation, which shall include the following: the Credit Facility will be registered to the Bank, DTC will not be holding the Credit Facility and the Credit Facility will not have a CUSIP; the Credit Facility will not be rated; there will not be a disclosure document; authorized denominations shall be in the minimum amount of \$250,000 and integral multiples of \$1 thereof or as a single bond; and no amendments to the issuing documents without the Bank's prior consent. The Bank shall not be required to surrender the Credit Facility or assignment thereof for payment of principal, other than for the final payment at maturity thereof.

Inasmuch as the Credit Facility represents a negotiated transaction, the Borrower understands, and hereby confirms, that the Bank is not acting as a fiduciary of the Borrower, but rather is acting solely in its capacity as a lender, for its own account. The Borrower acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the Borrower and the Bank and its affiliates, (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, 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"), (iii) the Bank and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto, (v) the Bank and its affiliates have financial and other interests that differ from those of the Borrower, and (vi) the Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

This letter is provided solely for your information and is delivered to you with the understanding that neither it, nor its substance, shall be disclosed to any third person, except those who are in confidential relationship to you or where same is required by law.

If your application for business credit is denied, you have the right to a written statement of the specific reasons for the denial. To obtain the statement, please contact Opus Bank Loan Servicing Department, 131 West Commonwealth Ave., Fullerton, CA 92832 or by telephone at (855) 678-7562 within 60 days from the date you are notified of our decision. We will send you a written statement of reasons for the denial within 30 days of receiving your request for the statement.

NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is: FDIC Consumer Response Center, 1100 Walnut Street, Box #11, Kansas City, MO 64106.



This proposal is for discussion purposes only. It does not represent a commitment to lend on the part of Opus Bank. If the proposal meets with your approval, it is then subject to credit approval based upon due diligence, execution and delivery of all documentation required by the Bank in form and substance satisfactory to Opus Bank and its counsel.

Acceptance of this proposal by the City is subject to approval and ratification by the City Council of the City of Hercules, acting in its sole and absolute discretion.

Borrower: City of Hercules

Signature

Date: _____

Print Name: _____

Title: _____

Prepayment Option Selected: _____