

FIRST AMENDMENT TO LEASE AGREEMENT

by and between the

**SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY,
as Lessor**

and the

**COUNTY OF SANTA CRUZ,
as Lessee**

Dated as of December 1, 2017

Relating to:

**[\$8,600,000]
Santa Cruz County Capital Financing Authority
Taxable Lease Revenue Bonds, 2017 Series A
(Direct Pay Subsidy New Clean Renewable Energy Bonds)**

(Supplemental to the Lease Agreement dated as of June 1, 2015)

First Amendment to Lease Agreement
(Supplemental to the Lease Agreement dated as of June 1, 2015)

Relating to
\$ _____

Santa Cruz County Capital Financing Authority
Taxable Lease Revenue Bonds, 2017 Series A ((Direct Pay Subsidy New Clean
Renewable Energy Bonds)

This FIRST AMENDMENT TO LEASE AGREEMENT, dated for convenience as of December 1, 2017 (the "First Amendment"), is entered into by and between the SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), a joint powers authority formed under the laws of the State of California, as lessor, and the COUNTY OF SANTA CRUZ (the "County"), a public body duly organized and existing under the laws of the State of California, as lessee.

WITNESSETH:

WHEREAS, this First Amendment is supplemental to and amends and supplements the Lease Agreement dated for convenience as of June 1, 2015, by and between the Authority, as lessor, and the County, as lessee (the "Existing Lease Agreement" and, as supplemented by this First Amendment, the "Lease Agreement"), which Existing Lease Agreement and this First Amendment relate to the Site described in Exhibit A hereto and the Facility described in Exhibit B hereto;

WHEREAS, in connection with the issuance of \$13,770,000 aggregate principal amount of Santa Cruz County Capital Financing Authority Taxable Lease Revenue Refunding Bonds, 2015 Series A (the "Series A Bonds") and \$9,945,000 aggregate principal amount of Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2015 Series B (the "Series B Bonds"), the County and the Authority entered into the Existing Lease Agreement, and a Memorandum of Lease Agreement dated as of June 1, 2015 by and between the Authority and the County and relating to the Existing Lease Agreement was recorded on August 24, 2015, as Instrument No. 2015-0034584, in the Office of the Recorder of the County of Santa Cruz;

WHEREAS, the Series A Bonds and the Series B Bonds were issued pursuant to an Indenture of Trust made and entered into as of June 1, 2015 (the "Existing Indenture of Trust"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"); and

WHEREAS, pursuant to the Existing Indenture of Trust and the First Supplemental Indenture of Trust made and entered into as of December 1, 2017 (the "First Supplement" and, together with the Existing Indenture of Trust, as it may be further supplemented and amended, the "Indenture of Trust "), by and between the Authority and the Trustee, the Authority is issuing its \$[8,600,000] initial principal amount of Taxable Lease Revenue Bonds, 2017 Series A (Direct Pay Subsidy New Clean Renewable Energy Bonds) (the "2017 Series A Taxable Bonds");

WHEREAS, the 2017 Series A Taxable Bonds are being issued as Additional Bonds pursuant to and in accordance with Section 6.06 of the Existing Indenture of Trust;

WHEREAS, in connection with the issuance of the 2017 Series A Taxable Bonds, it is necessary to amend the Schedule of Lease Payments attached as Exhibit C to the Existing Lease Agreement to reflect the debt service on the Series A Bonds, the Series B Bonds and the 2017 Series A Taxable Bonds; and

WHEREAS, the Authority and the County are entering into this First Amendment to amend the Schedule of Lease Payments attached as Exhibit C to the Existing Lease Agreement and to make certain other necessary amendments to the Existing Lease Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions. All defined terms used in the Existing Lease Agreement and in this First Amendment shall have the meanings assigned to them in the Indenture of Trust, as defined above.

Section 2. Lease Payments. The County hereby agrees to make all Lease Payments with respect to all outstanding Bonds, including the Series A Bonds, the Series B Bonds and the 2017 Series A Taxable Bonds, as set forth on the Schedule of Lease Payments attached hereto as Exhibit C, which Schedule of Lease Payments shall replace the Schedule of Lease Payments attached to the Existing Lease Agreement as Exhibit C thereto. The Authority hereby finds and determines that the Lease Payments attached hereto as Exhibit C meet the requirements of Section 6.06 of the Existing Indenture of Trust.

Section 3. Optional Prepayment of Lease Payments Relating to the 2017 Series A Taxable Bonds. The Authority hereby grants to the County the options to prepay the principal component of the Lease Payments with respect to the 2017 Series A Taxable Bonds in full or in part without premium as provided below:

(a) With respect to a redemption of the 2017 Series A Taxable Bonds pursuant to Section 14.02(a) of the First Supplement, the County has the option to prepay Lease Payments with respect to the 2017 Series A Bonds due on and after June 1, 20__ in whole or in part on any date commencing June 1, 20__. Said option shall be exercised by the County by giving written notice to the Authority and the Trustee of the exercise of such option at least thirty 30 days prior to said date. Such option shall be exercised in the event of prepayment in full by depositing with said notice cash in an amount which, together with amounts then on deposit in the Reserve Account (if any), the Insurance and Condemnation Fund and the Revenue Fund, will be sufficient to pay the aggregate unpaid Lease Payments with respect to the 2017 Series A Taxable Bonds on said Lease Payment Date as set forth in Exhibit C hereto, together with any Lease Payments with respect to the 2017 Series A Bonds then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid the principal component of which shall be an amount divisible by \$5,000 together with any Lease Payments with respect to the 2017 Series A Taxable Bonds then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments with respect to the 2017 Series A Taxable Bonds in such manner and shall be applied to redeem the 2017 Series A Bonds as the County shall determine and if the County shall fail to make such determination pro-rata. Lease Payments with respect to the 2017 Series A Taxable Bonds due after any such partial prepayment shall be in the amounts set forth in a revised Schedule of Lease Payments which shall be provided by or caused to be provided by

the County to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

(b) With respect to a redemption of the 2017 Series A Taxable Bonds pursuant to Section 14.02(f) of the First Supplement, in the event that a Loss of Refundable Credit Payments occurs, the Lease Payments with respect to the 2017 Series A Taxable Bonds shall be subject to prepayment, at the option of the County, from any source of legally available funds, in whole or in part, on any date following the occurrence of such Loss of Refundable Credit Payments, at a prepayment price equal to 100% of the unpaid principal components of such Lease Payments, together with accrued interest thereon to the prepayment date, without premium. The amount of any such prepayment of such Lease Payments shall be deposited with the Trustee and applied to the redemption of the Bonds under Section 14.02(f) of the Indenture.

Section 4. Extraordinary Prepayment of Lease Payments Relating to the 2017 Series A Taxable Bonds. In the event and to the extent that the County fails to expend all of the proceeds of the 2017 Series A Taxable Bonds within the Expenditure Period, the Lease Payments with respect to the 2017 Series A Taxable Bonds shall be subject to extraordinary mandatory prepayment, in whole or in part, on any date which is not more than 90 days following the Expenditure Period, at a prepayment price equal to 100% of the unpaid principal components of such Lease Payments, together with accrued interest thereon to the prepayment date, without premium. Such prepayment price shall be derived from the amounts remaining on deposit in the 2017 Improvement Account at the end of the Expenditure Period, which shall be applied to the extraordinary mandatory redemption of the Bonds under Section 14.02(e) of the Indenture.

Section 5. Continuing Disclosure. The County hereby covenants and agrees to comply with and carry out all of the provisions of the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") as originally executed as of the date of issuance and delivery of the 2017 Series A Taxable Bonds, and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of the Lease Agreement, failure by the City to comply with the Continuing Disclosure Agreement shall not constitute a default hereunder or under the Indenture; provided, however, that any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any Owner or beneficial owner of the 2017 Series A Taxable Bonds may take such action as may be necessary and appropriate to compel performance by the County of its obligations under this Section 5, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 5 shall have the meanings given in the Continuing Disclosure Agreement.

Section 6. Tax Covenants. The County agrees to comply with the tax covenants relating to the 2017 Series A Taxable Bonds set forth in Section 15.04 of the First Supplement.

Section 7. Effectiveness. Other than as heretofore amended and as amended hereby, the Existing Lease Agreement shall remain in full force and effect. This First Amendment shall become effective upon the issuance of the 2017 Series A Taxable Bonds.

Section 8. Real Property. The Site encumbered hereby is set forth in Exhibit A hereto and the Facility encumbered hereby is set forth in Exhibit B hereto.

IN WITNESS WHEREOF, the Authority and the County have caused this First Amendment to Lease Agreement to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

SANTA CRUZ COUNTY CAPITAL
FINANCING AUTHORITY, as lessor

By: _____

COUNTY OF SANTA CRUZ, as lessee

By: _____

EXHIBIT A

DESCRIPTION OF THE SITE

EXHIBIT B

DESCRIPTION OF THE FACILITY

The Facility consists of the County's main Administrative Building and main Courts Building.

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS*

SCHEDULE OF LEASE PAYMENTS RELATING TO THE SERIES A BONDS

*Lease Payments are due 15 days in advance of the dates listed in the schedule.

SCHEDULE OF LEASE PAYMENTS RELATING TO THE SERIES B BONDS

SCHEDULE OF LEASE PAYMENTS RELATING TO THE 2017 SERIES A TAXABLE BONDS