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Humboldt Bay
Harbor, Recreation and Conservation District
(707)443-0801
P.O. Box 1030
Eureka, California 95502-1030

STAFF REPORT - ADDENDUM
HARBOR DISTRICT SPECIAL MEETING
April 27, 2023

TO: Honorable Board President and Harbor District Board Members

FROM: Larry Oetker, Executive Director

DATE: April 26, 2023

TITLE: Receive and Review Financing Proposals as Submitted in Response to the RFP Issued for Capital Improvement Financing and Direct Staff to Take Appropriate Action

STAFF RECOMMENDATION: Staff recommends the Board: Receive and review the submitted proposals and direct staff accept the Option 1 offer from Signature Public Finance for a \$5.4 million loan.

DISCUSSION: This Addendum is intended to provide additional information to the original Staff Report included in the Agenda Packet. Attachment A includes the Request for Proposals (RFP), Attachment B includes the one proposal that was received.

OPTION 1

The Signature Public Funding Corp. proposal was for up to a \$5.6 million loan at 4.25% interest for a 15-year term. The loan would have a \$3,000 Bond Counsel Fee and require a 1.25 Debt Coverage Ratio. The loan could be repaid at any time upon payment of the call premium.

OPTION 2

The County of Humboldt Brownfield Loan assumption for \$2,380,000 at 0% interest with a lump sum payment due on March 31, 2024 (10 month). As another alternative, it is possible that the District could apply to the County Headwaters Fund for a 5-7% interest loan with up to a 10-year term. The remaining \$3 million would be under the Signature Public Financing Corp 4.25% interest for a 15-year Term as described under Option 1.

Attachments

- A. RFP for loan Proposals
- B. Signature Public Funding Corp proposal dated April 25, 2025

REQUEST FOR PROPOSALS

\$5,500,000 (Approx.)
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SERIES 2023 ENTERPRISE REVENUE OBLIGATIONS
(HARBOR IMPROVEMENT PROJECT)

RFP Invitation:

The Humboldt Bay Harbor, Recreation and Conservation District (“District”) hereby invites you, on behalf of your bank (the “Bank”), to submit a bid proposal (the “Bid Proposal”) to purchase the Humboldt Bay Harbor, Recreation and Conservation District, \$5,500,000 (approx.) Series 2023 Enterprise Revenue Obligations (Harbor Improvement Project) (the “2023 Revenue Obligations”) described herein upon the terms and conditions set forth herein.

The District:

The Humboldt Bay Harbor, Recreation, and Conservation District Act of 1970 was passed by the California legislature to create the District. The District oversees planned development of the harbors and ports within the District, as well as protection of the natural resources within its boundaries. It is a countywide agency with permit jurisdiction over all tide, submerged and other lands granted to the District, including all of Humboldt Bay.

The District is located in the City of Eureka, California, and is governed by elected commissioners from five divisions, representing the same boundary areas as the Humboldt County Board of Supervisors and operating under the authority of the California Harbors & Navigation Code. Commissioners are elected for four-year terms. Funding for District operations is provided through property taxes, grants, permit fees, tideland leases, rents, lease, and harbor traffic and surcharge fees levied on cargo and deep draft vessels.

Harbor and port development projects include oversight of dredging and disposal of dredging materials, retention and improvement of commercial fishing facilities, pilotage licensing, oil spill response coordination, erosion control, shoreline protection, mariculture and now wind energy operations.

Humboldt Bay is the California North Coast’s only deep-water port and serves as the region’s major maritime transportation link to the rest of the world. As the only harbor between San Francisco and Coos Bay Oregon with channels of sufficient size to accommodate large commercial vessels, maintaining safe navigable depths in Humboldt Bay is key for a thriving waterfront. The District manages Humboldt Bay channels that connect communities, support commercial fishing, enhance recreational access and provide access to docks where wood products are loaded on oceangoing vessels.

Regular dredging of the deep-water harbor of Humboldt Bay is the key to allowing access to the bay, especially for larger ships. It is crucial to have the deep harbor as well as other areas of the bay accessible to ships and boats of all sizes. Ideally, the deep-water channel must be maintained at a depth of 48 feet to accommodate vessels with deep draft. Other areas in the bay require a depth of 35-38 feet. Federal channels in Humboldt Bay are dredged by the U.S. Army Corps of Engineers. Any other area that requires dredging is the responsibility of the District.

The port contains 9 deep draft berths. 15 percent of Humboldt Bay's 33 miles is considered appropriate for harbor facility development. State Route 299 is STAA truck approved and US Highway 101 south is STAA approved with the exception of approximately 10 miles.

Humboldt Bay offers advantages for offshore wind because its location and size allows it to serve as a manufacturing, fabrication, construction and assembly, staging and tow-out hub. It is close to the ocean and provides a shipping channel clear of bridges or other airspace obstructions while minimizing environmental and wildlife impacts. Because of these advantages, the District has drawn the attention of many Federal and State agencies as well as a host of international energy development firms.

On December 7, 2022 the Biden-Harris Administration announced the winners of two leases in the Humboldt wind energy area, located 21 miles off the coast of Humboldt Bay. One lease was awarded to RWE Offshore Wind Holdings (63,338 acres for \$157.7 million), and the other was awarded to California North Floating (69,031 acres for \$173.8 million).

On October 27, 2022 Crowley Wind Services signed an agreement with the District to exclusively negotiate to be the developer and operator of a terminal to serve as California's first hub for offshore wind energy installations. Through Crowley's Wind Services group, the company will enter into negotiations with the District to lease and serve as the District's developer of the Humboldt Bay Offshore Wind Heavy Lift Marine Terminal. Services there will support tenants in the manufacturing, installation and operation of offshore wind floating platforms, use of large heavy cargo vessels and providing crewing and marshalling services in the Pacific waters.

Due Date: Responses are **due by 10:00 AM PST on April 21, 2023.**

Correspondence: Please submit responses electronically and provide correspondent to the following three parties:

Humboldt Bay Harbor, Recreation and Conservation District:

Attn: Chris Mikkelsen
Email: cmikkelsen@humboldtbay.org
Ph: (707) 443-0801

Municipal Advisor:

California Municipal Advisors, LLC
Attn: Andrew Flynn
Email: aflynn@calmuniadvisors.com
Ph: (415) 310-1255

Bond Counsel:

Weist Law LLP
Attn: Cameron Weist
Email: cameron@weistlaw.com
Ph: (831) 438-7900

Purpose: The 2023 Revenue Obligations will be issued by the District for the purposes of providing funds for the payment of one or more of the following: (a) a stormwater abatement project, (b) the purchase of approximately 35 acres of strategically located property that will be used to further the public purposes of the District, (c) a dredging project, (d) a roofing project, and (e) associated costs of issuance.

Structure/Security: The 2023 Revenue Obligations will be secured by a 2023 Installment Sale Agreement between the Bank and the District, along with a corresponding Promissory Note. Installment Payments made under the 2023 Installment Sale Agreement and Note shall be from Net Revenues of the District's Enterprise operations, and shall be on parity with existing and future long-term parity debt issuance.

Rate Covenant: The District shall fix, prescribe, revise, assess and collect rates, assessments, fees, and charges for the District services and facilities during each Fiscal Year that are sufficient to yield annual Net Revenues of its Enterprise operations of at least one hundred twenty-five percent (125%) of the maximum annual debt service on the 2023 Revenue Obligations and all existing and future parity debt which has a lien on such Net Revenues (the "Debt Service Coverage Requirement").

"Gross Revenues" means all revenue and income of the Enterprise plus the ad valorem property tax revenues of the District.

Default Provisions: An Event of Default will be triggered in the event that the District (i) fails to make regularly schedule Installment Payments within ten (10) days of an applicable Installment Payment Date, (ii) defaults under any Parity Obligation, or (iii) institutes bankruptcy proceedings. A drop below the Debt Service Coverage Requirement (so long as the debt service payments are being made in a timely manner) will not result in a Default; *however*, if the District fails to meet the Debt Service Coverage Requirement in a given Fiscal Year, and assuming the rate stabilization fund (as described below, the "RSF") is not otherwise sufficient to cover the differential, the District will either (i) advance to the RSF an amount needed to cover the deficiency, or (ii) promptly employ an Independent Financial Consultant to review the revenues and expenses or the methods of operation of the District, with the District abiding by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and/or to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues that cure such violation for future compliance. If compliance with the Debt Service Coverage Requirement cannot be attained for two consecutive years, at the Bank's option, a Default will have been deemed to have occurred, regardless of whether timely payments have been made by the District.

The obligation to make all payments of interest and principal when due, are absolute, unconditional and irrevocable, without any right of set-off or counterclaim whatsoever. The Installment Payments are subject to acceleration in the Event of Default.

Parity Debt: The District presently has two outstanding issuances Parity Obligations. In December 2014 the District entered into a loan agreement securing Series 2014 Harbor Enterprise Revenue Refunding Loan Obligations (the "2014 Obligations"). The 2014 Obligations bear interest at the rate of 4.10% and have an outstanding principal balance of \$1,739,475, maturing in July 2029. In March 2016 the District entered into an installment sale agreement securing Series 2016 Harbor Enterprise Revenue Obligations (the "2016 Obligations"). The 2016 Obligations bear interest at the rate of 5.99% and have an outstanding principal balance of \$842,025, maturing in July 2030. The 2014 and 2016 Obligations are both secured by Net Revenues of the Enterprise.

No Reserve Fund: The 2023 Revenue Obligations will not have a dedicated reserve fund.

Tax Status: Federally tax-exempt. Exempt from California personal tax.

Approximate Amort: Your Bank is invited to bid on the estimated 15 and 20-year amortization schedules set forth in Exhibit A hereto.

Average Life: The Weighted Average Maturity of the 2023 Obligations will be approximately:

15 Year – 8.92 Years
20 Year – 12.11 Years

Debt Service Coverage: The estimated debt service coverage projected for the next three years is set forth in Exhibit B hereto. The Exhibit B Proforma sets forth certain historical and projected operating results for the Enterprise for the Fiscal Years shown, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District’s estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the Exhibit B Proforma table are material in the development of the District’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Purchaser Letter: The Bank will be required to execute a Purchaser Letter in a form standard and customary for a transaction of this nature including but not limited to those that are a qualified institutional buyers, that they intend to hold the 2023 Revenue Obligations for their own account, and that they have independently done their own due diligence to the extent necessary and have determined that the 2023 Revenue Obligations are suitable for their investment.

Costs: The District will pay certain costs of issuance, including Bond Counsel, Municipal Advisor, Banks Counsel and CDIAC Fees.

All Bank costs (counsel fees, origination fees etc.) will be factored into the Bank bid to determine the all-inclusive cost (AIC) of the Bid Proposal. Please provide other estimated costs, if any, including, origination fees, Bank legal counsel fees, or other fees and expenses required by the Bank to complete the financing.

Please note that the legal documents and legal opinion for the financing will be prepared by Weist Law, as Bond Counsel to the District.

Opinion of Counsel: Weist Law will deliver a tax and validity opinion to the Bank at closing in form and substance satisfactory to the District and the Bank. The opinion of counsel will cover customary Federal and State of California tax matters.

Documentation: Please provide any required documentation that is unique to your Bank that is not typically provided under the proposed financing structure.

Other Items: Please indicate any additional items or covenants required by either the District or the proposer to complete the proposed transaction.

Award: In evaluation of the Bid Proposals, the District will take into account the information submitted and any other factors that it deems appropriate. The District reserves the right to exercise its own discretion in making the award, which is expected to take place in April, 2023.

Anticipated Closing: Closing can be expected to occur around the middle of May, 2023.

Questions: Any questions regarding the District or the transaction should be directed to either the District, Municipal Advisor or Bond Counsel (contact information provided above).

EXHIBIT A

SAMPLE AMORTIZATION SCHEDULES

You are invited to bid on one or both of the following two estimated 15 and 20-year amortization schedules. Principal maturities may change to achieve level annual debt service based upon the rate bid.

15 Year Amortization

<u>Period</u>	<u>Principal</u>
7/1/2024	\$245,000.00
7/1/2025	290,000.00
7/1/2026	301,000.00
7/1/2027	313,000.00
7/1/2028	325,000.00
7/1/2029	338,000.00
7/1/2030	351,000.00
7/1/2031	364,000.00
7/1/2032	378,000.00
7/1/2033	393,000.00
7/1/2034	408,000.00
7/1/2035	423,000.00
7/1/2036	440,000.00
7/1/2037	457,000.00
7/1/2038	<u>474,000.00</u>
<u>Total</u>	<u>\$ 5,500,000.00</u>

20 Year Amortization

<u>Period</u>	<u>Principal</u>
7/1/2024	\$144,000.00
7/1/2025	189,000.00
7/1/2026	197,000.00
7/1/2027	205,000.00
7/1/2028	214,000.00
7/1/2029	223,000.00
7/1/2030	233,000.00
7/1/2031	242,000.00
7/1/2032	253,000.00
7/1/2033	263,000.00
7/1/2034	275,000.00
7/1/2035	286,000.00
7/1/2036	299,000.00
7/1/2037	311,000.00
7/1/2038	324,000.00
7/1/2039	338,000.00
7/1/2040	353,000.00
7/1/2041	368,000.00
7/1/2042	383,000.00
7/1/2043	<u>400,000.00</u>
Total	<u>\$ 5,500,000.00</u>

EXHIBIT B
REVENUE AND COVERAGE TABLE

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
	Audit	Audit	Audit	Audit	Audit	Projected[1]	Projected[1]	Projected[1]	Projected[1]
Revenues and Support									
Rents and Leases	\$1,311,795	\$1,409,868	\$1,274,196	\$1,327,112	\$1,376,368	\$1,417,659	\$1,460,189	\$1,503,994	\$1,549,114
Slip Rentals	\$695,812	\$786,301	\$655,006	\$734,388	\$819,353	\$843,934	\$869,252	\$895,329	\$922,189
Harbor Improvement Surcharge	\$83,403	\$81,137	\$117,557	\$189,916	\$140,939	\$145,167	\$149,522	\$154,008	\$158,628
Other	\$182,807	\$182,425	\$155,162	\$107,943	\$109,106	\$112,379	\$115,751	\$119,223	\$122,800
Cable Landing Fee[2]	-	-	-	-	1,383,333	-	-	-	-
Total Revenues	\$2,273,817	\$2,459,731	\$2,201,921	\$2,359,359	\$3,829,099	\$2,519,139	\$2,594,713	\$2,672,555	\$2,752,731
Operating Expenses									
Salaries, Wages and Benefits	1,349,070	1,322,195	1,364,566	1,334,484	1,277,174	\$1,315,489	\$1,354,954	\$1,395,603	\$1,437,471
Depreciation	793,087	785,273	826,847	856,992	658,136	\$677,880	\$698,216	\$719,163	\$740,738
Field Landing Expenses	81,570	639	-	-	-	-	-	-	-
Professional Services	369,024	306,705	181,132	220,411	206,973	\$213,182	\$219,578	\$226,165	\$232,950
Redwood Terminal 2 Expenses	292,025	225,235	241,206	204,072	16,043	\$16,524	\$17,020	\$17,531	\$18,057
RT2 New Market Lease Expenses	-	-	-	-	211,800	\$107,466	\$110,690	\$114,011	\$117,431
Repairs and Maintenance	90,090	169,793	219,160	221,005	251,125	\$258,659	\$266,419	\$274,411	\$282,643
Utilities	268,312	530,893	495,026	384,308	451,435	\$464,978	\$478,927	\$493,295	\$508,094
Other	613,888	633,144	446,247	536,990	516,887	\$532,394	\$548,365	\$564,816	\$581,761
	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$3,857,066	\$3,973,877	\$3,774,184	\$3,758,262	\$3,589,573	\$3,586,572	\$3,694,169	\$3,804,994	\$3,919,144
Operating Income (Loss)	\$(1,583,249)	\$(1,514,146)	\$(1,572,263)	\$(1,398,903)	\$239,526	\$(1,067,433)	\$(1,099,456)	\$(1,132,440)	\$(1,166,413)
Non-operating Revenue (Expense)									
General Property Taxes	1,045,047	1,105,669	1,157,594	1,146,344	1,244,693	\$1,282,034	\$1,320,495	\$1,360,110	\$1,400,913
Investment Income (Loss)	182,120	183,399	170,521	163,664	182,028	\$187,489	\$193,114	\$198,907	\$204,874
New Market Loan interest income	-	-	-	-	160,747	\$80,374	-	-	-
Grant and Other Non-Operating Income	332,997	313,489	796,799	1,079,888	159,119	\$163,893	\$168,809	\$173,874	\$179,090
Grant Expenses	(112,082)	(34,907)	(130,223)	(142,880)	(930)	\$(958)	\$(987)	\$(1,016)	\$(1,047)
Interest Expenses [3]	(247,987)	(242,083)	(237,279)	(206,592)	(162,388)	\$(162,388)	\$(162,388)	\$(162,388)	\$(162,388)
Other Non-Operating Expenses	(2,103)	(14,195)	(694)	(2,234)	(8,239)	\$(8,486)	\$(8,741)	\$(9,003)	\$(9,273)
	-	-	-	-	-	-	-	-	-
Total Non-operating Revenue	\$1,197,992	\$1,311,372	\$1,756,718	\$2,038,190	\$1,575,030	\$1,541,957	\$1,510,302	\$1,560,483	\$1,612,169
Change in Net Position	\$(385,257)	\$(202,774)	\$184,455	\$639,287	\$1,814,556	\$474,524	\$410,846	\$428,043	\$445,756
Remove Grant Rev in excess of expense	\$(445,079)	\$(348,396)	\$(927,022)	\$(1,222,768)	\$(160,049)	\$(164,850)	\$(169,796)	\$(174,890)	\$(180,137)
Add back Depreciation	\$793,087	\$785,273	\$826,847	\$856,992	\$658,136	\$677,880	\$698,216	\$719,163	\$740,738
Add back Interest Expense	247,987	242,083	237,279	206,592	162,388	162,388	162,388	162,388	162,388
Net Revenues	\$210,738	\$476,186	\$321,559	\$480,103	\$2,475,031	\$1,149,942	\$1,101,655	\$1,134,704	\$1,168,745
Debt Service on proposed obligation [4]	-	-	-	-	-	492,042	492,318	492,153	492,564
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	2.34	2.24	2.31	2.37

[1] Revenue & Expense projections assume 3% YoY growth from average of FY2020 & FY2021

[2] Broadband Cable landing fee is a one-time fee related to new broadband

[3] Represents interest expense on three existing obligations (Refunding Bonds, Series 2014, Coast Seafood's Line of Credit, and Compass BBVA Bank Loan)

[4] Assumes a fully amortized 15-year obligation at 3.850%

PROPOSAL AND TERMS SHEET

Addendum
Agenda Item 7a.
Attachment B

Prepared By:

SIGNATURE PUBLIC FUNDING CORP.

In Connection With:

REQUEST FOR PROPOSAL
Enterprise Revenue Bonds, Series 2023

By and Between

Signature Public Funding Corp.
And

Humboldt Bay Harbor, Recreation and Conservation District

Dated: April 25, 2023



Signature Public Funding Corp.,
a wholly-owned subsidiary of Flagstar Bank, N.A.



Signature Public Funding Corp.

Logan K. McKenzie, Executive Sales Officer
600 Washington Avenue, Suite 305
Towson, Maryland 21204
(520) 403-7364 (cell)
(646) 927-4005 (fax)
lmckenzie@signatureny.com

April 25, 2023

Cameron Weist
Weist Law LLP
(831) 438-7900

RE: Bid Request for Humboldt Bay Harbor, Recreation and Conservation District

Dear Mr. Weist:

Signature Public Funding Corp., a wholly-owned subsidiary of Flagstar Bank, N.A. ("SPFC"), is pleased to present to the Humboldt Bay Harbor, Recreation and Conservation District, CA (the "District" or "Issuer") its proposal for the financing of the above referenced Bid Request. The terms and conditions of our proposal are outlined in the attached terms sheet ("Term Sheet" or "Proposal")

If you have any questions about the proposal, please contact me for any clarification or follow-up. It is a pleasure to offer this proposal to the District. We look forward to a favorable acknowledgment.

Regards,

A handwritten signature in black ink, appearing to read "Logan K. McKenzie", written in a cursive style.

Logan K. McKenzie
Executive Sales Officer
Signature Public Finance Corp.

PROPOSAL & TERMS SHEET

Humboldt Bay Harbor, Recreation and Conservation District– Series 2023

ISSUER:	Humboldt Bay Harbor, Recreation and Conservation District, CA. (the “District” or “Issuer”).
PURCHASER:	Signature Public Funding Corp., a wholly-owned subsidiary of Flagstar Bank, N.A. Bank (“SPFC” or “Purchaser”), or its Assignee.
AMOUNT FINANCED:	Up to \$5,600,000.
STRUCTURE:	15-year term with RFP amortization (8.9yr avg. life).
TYPE OF FINANCING:	Enterprise Revenue Bonds, Series 2023 (the “Bonds” or “Obligations”).
PURPOSE:	Proceeds of the Bonds will finance the purchase of land, costs associated with a dredging project and to pay costs of issuance.
FACILITY TYPE:	The Bonds shall be in the form of a bank qualified tax-exempt bond or loan, which shall be issued by the Issuer to Purchaser in the form of a direct, privately placed bank loan. The Bond or loan will be issued without CUSIPS or DTC registration and require no ongoing financial disclosure, except for the disclosure of financial statements and other reasonably requested information by Purchaser.
SECURITY:	The Bonds will be secured by a 2023 Installment Sale Agreement between the Purchaser and the District, along with a corresponding Promissory Note. Installment Payments made under the 2023 Installment Sale Agreement and Note shall be from Net Revenues of the District’s Enterprise operations, and shall be on parity with existing and future long-term parity debt issuance.
PAYMENT:	Semi-annual interest payments beginning in 7/1/23 with annual principal payments beginning on 7/1/24. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.
CLOSING DATE:	On or before May 24, 2023.
BANK COUNSEL FEE:	\$3,000.
RATE COVENANT:	1.25x DSC.
RATE STABLIZATION FUND:	The District is to establish/maintain a rate stabilization fund as described in the RFP.

ADDITIONAL BONDS TEST:

1.15x projected MADS.

CROSS DEFAULT:

The Bonds are to contain a cross-default provision as it relates to the District's outstanding Parity Obligations.

EVENT OF DEFAULT:

An Event of Default will be triggered in the event that the District (i) fails to make regularly schedule Installment Payments within ten (10) days of an applicable Installment Payment Date, (ii) defaults under any Parity Obligation, or (iii) institutes bankruptcy proceedings. A drop below the Debt Service Coverage Requirement (so long as the debt service payments are being made in a timely manner) will not result in a Default; however, if the District fails to meet the Debt Service Coverage Requirement in a given Fiscal Year, and assuming the rate stabilization fund is not otherwise sufficient to cover the differential, the District will either (i) advance to the RSF an amount needed to cover the deficiency, or (ii) promptly employ an Independent Financial Consultant to review the revenues and expenses or the methods of operation of the District, with the District abiding by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and/or to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues that cure such violation for future compliance. If compliance with the Debt Service Coverage Requirement cannot be attained for two consecutive years, at the Purchaser's option, a Default will have been deemed to have occurred, regardless of whether timely payments have been made by the District.

FIXED INTEREST RATE:

TAX-EXEMPT	
TERM	RATE*
15yrs	4.25%

***RATE LOCK:**

Provided this Proposal and Terms sheet is accepted within a reasonable time (6 days) following the proposal date, the final interest rate for shall be fixed through the Closing Date (on or before May 24, 2023).

TAX-EXEMPT STATUS:

Bond Interest Payments will be excludable from the gross income for federal income tax calculations and exempt from all taxation in the State. The Issuer covenants and agrees to comply with all requirements of the Internal Revenue Code of 1986, as amended, and all other applicable rules, laws, regulations and promulgations necessary to keep the interest portion exempt from such Federal and or income taxes. If as a result of the Issuer’s failure to comply with the foregoing covenant or as a result of a change in laws the interest portion of the Bond payments is included in the Purchaser’s federal or state gross income tax calculations, the Issuer will pay interest at a taxable rate not more than 8% per annum together with any fees or penalties resulting from its non-compliance.

An 8038-G will be provided with respect to the Bonds executed in connection herewith.

DEFAULT RATE:

8% tax-exempt per annum until cured.

PREPAYMENT OPTIONS:

The Issuer can exercise its right to prepay the Bonds in whole, but not in part, on any business date following 30 days’ notice by paying the Prepayment Price to the Purchaser. The Prepayment Price is equal to the sum of: (a) the Bond Payment due on such date, (b) the remaining Principal Balance and all other amounts due and owing under the Bonds, and (c) the applicable call premium based on the Remaining Principal Balance based on the chart below:

On or Before	Call Premium
7/1/2028	101.5%
7/1/2029	101.0%
7/1/2030	100.5%
After	Par

LEGAL OPINION:

Bond Counsel, at the Issuer’s expense, shall furnish SPFC with a validity and tax opinion covering, inter alia, the tax-exempt nature of this transaction, the authority of the Issuer and the approval of the documents used herein. This opinion shall be in a form and substance satisfactory to SPFC.

ASSIGNMENT:

The Purchaser retains the right to assign all or a portion of its interest in the Bonds to another qualified investor given sufficient notification to the Issuer and delivery of a signed investor letter. The Purchaser currently has no intent to assign the Bonds.

ANNUAL FINANCIAL DATA:

The Issuer will provide the Purchaser with:

- a) annual budgets, within 30 days of adoption by the Board and by no later than 9/1;
- b) audited financial statements within 210 days of the Issuer's Fiscal Year end;
- c) annual compliance certificate due with Audit demonstrating compliance with the Issuer's financial covenants and statement of non-default from authorized person at the Issuer; and

AUTHORIZED SIGNORS:

The Issuer's governing board shall provide SPFC with its resolution or other evidence of authority to issue the Bonds and shall designate the individual(s) to execute all necessary documents used therein.

ANCILLARY BUSINESS:

The Purchaser is not requiring any other ancillary business be provided to the Issuer.

EXPIRATION OF TERMS:

The terms set forth in this this Proposal and Terms Sheet are subject to formal credit approval by SPFC, approval by the Issuer's governing board and the negotiation of mutually acceptable legal documents. These terms will expire if they are not accepted by the Issuer on or before May 1, 2023.

PROPOSAL & TERMS SHEET: PROPOSAL ACCEPTANCE
Humboldt Bay Harbor, Recreation and Conservation District, CA – Series 2023

DUE DILIGENCE:

The Issuer shall provide to SPFC a final, certified copy of the authorizing resolution, any and all applicable trust indentures and other agreements, three (3) years of current financial statements, current budgets, and such financial and other information such as was included in the Request for Bids and any other information as may be reasonably requested by SPFC. *This proposal shall not be construed as a commitment to enter into the purchase or lend by and is subject to final credit approval by the Credit/Investment Committee of Signature Public Funding Corp. and Flagstar Bank, N.A. and approval of the definitive bond documents in Signature Public Funding Corp.'s sole discretion.* To render a credit decision, the Issuer shall provide SPFC with the information requested above. Any and all capitalized terms not specifically defined herein shall be given their meaning under the Bond Documents.

SPFC NOT A FINANCIAL ADVISOR OR SECURITIES BROKER-DEALER:

SPFC has not provided, nor will it provide legal, tax or accounting advice to the Issuer regarding this transaction or the treatment thereof for legal, tax and accounting purposes. SPFC is not a registered financial advisor, nor registered with the MSRB or IRMA, nor registered as broker-dealer in securities. The Issuer has obtained independent tax, financial advisory, legal, securities and accounting advice as it deems necessary.

ACCEPTANCE BY ISSUER:

The Proposal & Terms Sheet submitted by Signature Public Funding Corp. on April 25, 2023 and has been reviewed, agreed to, and accepted by a duly and validly authorized officer of the Humboldt Bay Harbor, Recreation and Conservation District, CA this ____ day of _____, 2023.

AGREED AND ACCEPTED:

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION
DISTRICT, CA**

By: _____
Name:
Title: