

COOPERATION AGREEMENT

This COOPERATION AGREEMENT (the "Cooperation Agreement"), is executed and entered into as of March __, 2021, by and between the STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA, an entity of state government of the State of California (the "Board"), and THE COUNTY OF SAN BENITO (the "Participating County").

WITNESSETH:

WHEREAS, pursuant to Chapter 3.131 of Part 10b of Division 3 of Title 2 of the California Government Code (commencing at Section 15820.93), the Board is authorized to finance the acquisition, design and construction of a jail facility approved by the California Department of Corrections and Rehabilitation (the "Local Criminal Justice Facilities Financing Program");

WHEREAS, the Participating County has proposed to construct a new adult jail facility (the "Project") pursuant to the Local Criminal Justice Facilities Financing Program;

WHEREAS, the Participating County is contributing funding to pay a portion of the costs of the Project (the "County Funding Contribution") all or a portion of which is from the proceeds of its own tax-exempt obligations (the "County Bonds"), secured by assets other than the Project, and possibly from certain other funds and to apply the proceeds of the County Bonds and certain other funds to fund a portion of the County Funding Contribution;

WHEREAS, the Board intends to assist in the oversight and financing of the Project, subject to satisfaction of certain conditions and requirements of the Board, and the Board may in its sole, reasonable discretion, issue lease revenue bonds for the Project (the "Board Bonds");

WHEREAS, in connection with the issuance of the Board Bonds and County Bonds, a tax or arbitrage certificate (each, a "Tax Certificate") will be delivered, containing certain covenants and restrictions which will continue to exist until the complete retirement of the Board Bonds or County Bonds (including any tax-exempt bonds refunding such obligations), whichever is later;

WHEREAS, the Board and the Participating County desire to agree with respect to certain ongoing restrictions to be contained in the Tax Certificates and to agree with respect to certain other matters contained herein;

NOW, THEREFORE, THE BOARD AND THE PARTICIPATING COUNTY HEREBY AGREE AS FOLLOWS:

SECTION 1. Definitions. Capitalized terms used in this Cooperation Agreement and not otherwise defined shall have the following meanings:

"Lease Arrangement" means any leasehold or similar possessory interest of a defined physical area within the Project.

"Private Business Use" has the meaning given to such term in section 141(b)(1) of the Code and related Treasury Regulations, including Section 1.141-3.

"Services Contract" means any contract for services to be rendered with respect to the Project (such as a food concession agreement) that does not satisfy one of the safe harbor provisions of

Revenue Procedure 2017-13 (or subsequent formal guidance) and is not otherwise excluded from constituting Private Business Use under Revenue Procedure 2017-13 (or subsequent formal guidance) or Treasury Regulations Section 1.141-3.

SECTION 2. Cooperation. The County Funding Contribution, which will be funded, in part, by the County Bonds, has been approved by various state agencies as detailed in the Local Criminal Justice Facilities Jail Financing Program and related regulations. The County acknowledges and agrees that the County Bonds were issued before the Board Bonds and will not be incompatible with the Board Bonds. The Board and the Participating County desire to cooperate and achieve agreement as to certain federal tax law compliance matters prior to the sale of the Board Bonds to help ensure the Board will be able to issue the Board's Bonds in its normal and customary manner. To this end, the Participating County agrees to provide all necessary and desired certifications that may be reasonably required by the Board regarding the portion of the County Funding Contribution funded with proceeds of the County Bonds.

SECTION 3. Allocation. The Board and the Participating County hereby agree that they shall utilize the allocation methodology described in Exhibit A for purposes of the Federal income tax restrictions with respect to the Board Bonds and the County Bonds.

SECTION 4. General Tax Compliance. The Participating County will not undertake any action that adversely affects the exclusion from gross income of the interest paid or to be paid on any of the Board Bonds or the County Bonds. The Participating County will cooperate with the Board regarding the Board's post issuance tax responsibilities with respect to the Board Bonds and abide by the restrictions of the Tax Certificates and this Cooperation Agreement with respect to the Board Bonds and the County Bonds. If the Participating County shall fail to keep, observe or perform the foregoing covenants, the Board may exercise any and all remedies available pursuant to law to enforce such covenants and the Participating County agrees to pay to the Board all damages recoverable at law that the Board may incur by reason of such failure of the Participating County to keep, observe or perform such covenants.

SECTION 5. Private Business Use Compliance. In the Tax Certificates, the Participating County will make (or has made) certain covenants relating to Private Business Use of the Project. In furtherance of those covenants, the Participating County covenants that no more than the lesser of 10% (or 5% for unrelated use) or \$15 million of the proceeds of the Board Bonds and the County Bonds, respectively, or of the Project allocated to such proceeds has been or will be used in the aggregate for any activities that constitute a Private Business Use. The Participating County will actively monitor Private Business Use at the Project. The Participating County represents that any agreement it has with the Federal government that provides utilization of the Project will contain a right that allows the Participating County to terminate the arrangement, without penalty or cause, on 50 days or less notice and will seek and obtain an amendment to any existing such agreement if it does not contain such right prior to receipt of proceeds of the Board Bonds. The Participating County represents that the Project is not being sized for the purposes of accommodating any Federal government.

SECTION 6. Post Issuance Compliance; Including Recordkeeping. The Participating County understands that post issuance compliance with the restrictions contained in the Tax Certificates for the Board Bonds and County Bonds is required to ensure that interest on the Board Bonds and County Bonds remains excluded from gross income for federal income purposes. In furtherance thereof, the Participating County hereby agrees to:

(a) Assign responsible personnel of the Participating County to monitor and ensure compliance with the restrictions contain in the Tax Certificates;

(b) Provide adequate training to responsible Participating County personnel to ensure compliance with the Tax Certificates and this Cooperation Agreement;

(c) Have Participating County personnel regularly review the restrictions of the Tax Certificates and this Cooperation Agreement and establish adequate record retention and calendaring mechanisms internally to ensure that the Participating County will be able to establish post issuance compliance with the restrictions of the Tax Certificates and this Cooperation Agreement. In particular, the Participating County will maintain records detailing the expenditure and investment of County Bond proceeds and Board Bond proceeds, as provided in the Tax Certificates.

(d) Regularly consult with the Board regarding any issues that arise regarding post issuance compliance (including any failure or anticipated failure to expend County Bond proceeds or Board Bond proceeds during the periods described in the Tax Certificates or any changes in use of the Project). The Participating County understands that the use of the Project must be monitored throughout the term to maturity of the Board Bonds and County Bonds, and records must be retained by the Participating County to the date specified in the Tax Certificates regarding any contracts or other arrangements, including any Lease Arrangement and Services Contract, relating to use of the Project.

SECTION 7. IRS Audit Responsibilities. Except as otherwise provided, the Board shall be responsible for managing any Internal Revenue Service examination of any of the Board Bonds, and the Participating County shall be responsible for managing any Internal Revenue Service examination of the County Bonds. For any such examination of Board Bonds, the Board will take the leadership responsibility, but the Participating County agrees to be actively involved.

SECTION 8. Amendment. All amendments to this Cooperation Agreement shall be in writing and signed by the parties hereto.

SECTION 9. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or sent by first class mail, as follows:

If to the Participating County:

County of San Benito
Attn: Chair of Board of Supervisors
481 4th Street,
Hollister, CA 95023

If to the Board:

State Public Works Board of the State of California
915 L Street
Sacramento, California 95814
Attention: Executive Director

SECTION 10. Severability. If any section, paragraph, sentence, clause or provision of the Cooperation Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of the Cooperation Agreement.

SECTION 11. Governing Law. This Cooperation Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 12. Execution. The Cooperation Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same agreement.

SECTION 13. Fees. Participating County hereby agrees to pay all fees and expenses of the Board's bond counsel incurred in its representation of the Board with respect to the financing of the Project including, but not limited to, the drafting of this Cooperation Agreement, conducting due diligence with respect to the Project and reviewing any documents related to the issuance of the County Bonds.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Board and the Participating County have caused the Cooperation Agreement to be executed each on its behalf as of the day and year first above written.

STATE PUBLIC WORKS BOARD OF THE STATE
OF CALIFORNIA

By: _____
Koreen H. van Ravenhorst
Deputy Director

COUNTY OF SAN BENITO

By: _____
Mark Medina,
Chair of the Board of Supervisors

COUNTY APPROVED AS TO LEGAL FORM:
San Benito County Counsel

By: Shirley L. Murphy 3/5/21
Shirley L. Murphy, Deputy County Counsel

Exhibit A

Allocation of Project Expenditures

Unless otherwise specified by the Bond, expenditures for the Project will be allocated first to proceeds of the County Bonds and then next to the Board Bonds.