

May 8, 2020

FROM: Urban Futures, Inc.
Michael Busch, CEO

TO: Ellis Chang, Director of Administrative Services
City of Fullerton Successor Agency
303 W. Commonwealth Avenue
Fullerton, Ca 92832

RE: Engagement Letter for Series 2020 Tax Allocation Refunding Bonds Fiscal Consultant Report

Dear Chang:

This letter specifies the terms of the engagement between Urban Futures, Inc., located at 17821 E. 17th Street, Suite 245, Tustin CA 92780, and City of Fullerton Successor Agency located at 303 W. Commonwealth Avenue, Fullerton, CA 92832

This engagement between City of Fullerton Successor Agency (the “Agency”) and Urban Futures, Inc. (“UFI”) shall become effective as of the date of its acceptance as provided below.

Scope of Municipal Advisory Activities to be Performed

As Municipal Advisor, UFI will perform the following duties on behalf of the Agency necessary to draft the Fiscal Consultant Report.

- Assist in developing the plan of finance;
- Identify and analyze financing solutions and alternatives for funding the capital improvement plan or refunding;
- Assist in the preparation of any rating agency strategies and presentations;
- Prepare and/or review preliminary cash flows/ preliminary refunding analysis; and
- Drafting of the Fiscal Consultants Report (FCR).

Independent Registered Municipal Advisor (“IRMA”)

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”) with regard to the IRMA exemption of the SEC Rule, Urban Futures, Inc. will review all third-party recommendations submitted to Urban Futures, Inc. in writing by the Agency.

Term of Engagement Agreement

The commencement date of the agreement is May 8, 2020 and the end date is one year after the effective date, or the bond closing date of the subject transaction, whichever occurs first. Any extensions must be mutually agreed upon by all parties in writing.

Termination of Engagement Agreement

The Agency may terminate the whole or any part of this Agreement at any time and without cause by giving sixty (60) days written notice to Urban Futures, Inc. of such termination, and specifying the effective date thereof. Urban Futures, Inc. shall discontinue all Services affected by such termination within thirty (30) days of receipt of such notice, unless otherwise instructed by the Agency in writing. Urban Futures, Inc. may terminate this agreement by giving the Agency sixty (60) days written notice.

In the event Services are terminated by the Agency, Urban Futures, Inc. will be compensated for services provided up to the termination date.

Compensation and Out-of-Pocket Expenses

Compensation for the municipal advisory activities to be performed for this engagement is contingent upon the successful close of the loan.

For the subject transaction, the fee for Fiscal Consultant services as included in our proposal is \$10,000.

Fiduciary Duty

Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission (“SEC”) and Municipal Securities Rulemaking Board (“MSRB”). As such, Urban Futures, Inc. has a Fiduciary Duty to the Agency and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

Duty of Care:

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the Agency with informed advice;

- c) make a reasonable inquiry as to the facts that are relevant to the Agency's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the Agency; and
- d) undertake a reasonable investigation to determine that Urban Futures, Inc. is not forming any recommendation on materially inaccurate or incomplete information; Urban Futures, Inc. must have a reasonable basis for:
 - i. any advice provided to or on behalf of the Agency;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the Agency, any other party involved in the municipal securities transaction or municipal financial product, or investors in the Agency securities; and
 - iii. any information provided to the Agency or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty:

Urban Futures, Inc. must deal honestly and with the utmost good faith with the Agency and act in the Agency's best interests without regard to the financial or other interests of Urban Futures, Inc. Urban Futures, Inc. will eliminate or provide full and fair disclosure (included herein) to the Agency about each material conflict of interest (as applicable). Urban Futures, Inc. will not engage in municipal advisory activities with the Agency as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the Agency's best interests.

Conflicts of Interest and Other Matters Requiring Disclosures

As of the date of the Agreement, there are no actual or potential conflicts of interest other than those identified below that Urban Futures, Inc. is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If Urban Futures, Inc. becomes aware of any potential conflict of interest that arises after this disclosure, Urban Futures, Inc. will disclose the detailed information in writing to the Agency in a timely manner.

The following are potential conflicts of interest to be considered:

- Urban Futures, Inc. represents that in connection with the issuance of municipal securities, Urban Futures, Inc. may receive compensation from the Agency for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, Urban Futures, Inc. hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding Urban Futures, Inc.'s ability to provide unbiased advice to enter into such transaction. This potential conflict of

interest will not impair Urban Futures, Inc.'s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Agency.

- It should be noted that other forms of compensation (i.e. hourly or fixed fee based) may also present a potential conflict of interest regarding Urban Futures, Inc.'s ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair Urban Futures, Inc.'s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Agency;
- The fee paid to Urban Futures, Inc. increases the cost of financing to the Agency. The increased cost occurs from compensating Urban Futures, Inc. for municipal advisory services provided;
- Urban Futures, Inc. serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another Urban Futures, Inc. client. For example, Urban Futures, Inc. serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the Agency. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, Urban Futures, Inc. could potentially face a conflict of interest arising from these competing client interests. Urban Futures, Inc. fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the Agency;
- Urban Futures, Inc. does not have any affiliate that provides any advice, service, or product to or on behalf of the client that is directly or indirectly related to the municipal advisory activities to be performed by Urban Futures, Inc.;
- Urban Futures, Inc. has not made any payments directly or indirectly to obtain or retain the Agency's municipal advisory business;
- Urban Futures, Inc. has not received any payments from third parties to enlist Urban Futures, Inc. recommendation to the Agency of its services, any municipal securities transaction, or any municipal finance product;
- Urban Futures, Inc. has not engaged in any fee-splitting arrangements involving Urban Futures, Inc. and any provider of investments or services to the Agency;
- Urban Futures, Inc. does not have any legal or disciplinary event that is material to the Agency's evaluation of the municipal advisory or the integrity of its management or advisory personnel;
- Urban Futures, Inc. does not act as principal in any of the transaction(s) related to this Agreement;
- Urban Futures, Inc. does not have any other engagements or relationships that might impair Urban Futures, Inc.'s ability either to render unbiased and competent advice to or on behalf of the Agency or to fulfill its fiduciary duty to the Agency; and
- During the term of the municipal advisory relationship, this agreement will be promptly amended or supplemented to reflect any material changes in or additions to the terms or

information within this agreement and the revised writing will be promptly delivered to the Agency.

Legal Events and Disciplinary History

Urban Futures, Inc. does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Agency may electronically access Urban Futures, Inc.'s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against Urban Futures, Inc., Urban Futures, Inc. will provide complete disclosure to the Agency in detail allowing the Agency to evaluate Urban Futures, Inc., its management and personnel.

Recommendations

If Urban Futures, Inc. makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the Agency and is within the scope of the engagement, Urban Futures, Inc. will determine, based on the information obtained through reasonable diligence of Urban Futures, Inc. whether a municipal securities transaction or municipal financial product is suitable for the Agency. In addition, Urban Futures, Inc. will inform the Agency of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which Urban Futures, Inc. reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the Agency; and
- whether Urban Futures, Inc. has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the Agency's objectives.

If the Agency elects a course of action that is independent of or contrary to the advice provided by Urban Futures, Inc., Urban Futures, Inc. is not required on that basis to disengage from the Agency.

Municipal Securities Rulemaking Board Rule G-10 Disclosure

Pursuant to Municipal Securities Rulemaking Board Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission ("SEC") and Municipal Securities Rulemaking Board ("MSRB").
- Within the Municipal Securities Rulemaking Board ("MSRB") website at www.msrb.org, the Agency may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

Record Retention

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, Urban Futures, Inc. is required to maintain in writing, all communication and created documents between Urban Futures, Inc., and the Agency for 5 years.

If there are any questions regarding the above, please do not hesitate to contact Urban Futures, Inc. If the foregoing terms meet with your approval, please indicate your acceptance by executing both copies of this letter and returning one copy.

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Sincerely,



Michael Busch, CEO,
Urban Futures, Inc.

City of Fullerton Successor Agency

By: _____

Ellis Chang
Director of Administrative Services