

(2) does not have a substantial financial interest, direct or indirect, in the District; and

(3) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to make reports to the District.

“Independent Consultant” means a consultant or firm of consultants qualified in matters relating to the subject matter at issue, appointed and paid by the District, and who:

(1) is in fact independent and not under the domination of the District or any member thereof;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and

(3) is not connected with the District as an officer or employee of the District or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“Insurance Consultant” means any nationally recognized independent actuary, insurance company or broker that has actuarial personnel knowledgeable with respect to insurance carried, by, required for and available to special districts operating facilities similar to the District, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Interest Account” means the account by that name in the General Fund established pursuant to Section 4.3 hereof.

“Interest Component” means the portion of each Obligation Payment designated as Interest Component, as such is set forth on Exhibit A hereto.

“Interest Rate” means the rate of interest to be paid on the 2022 Obligations which is 3.20% per annum.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Financing Agreement or to meet or perform its obligations under this Financing Agreement on a timely basis, or the (c) the validity or enforceability of this Financing Agreement.

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect (A) the exemption of interest with respect to the Obligation Payments for state income tax purposes or (B) the ability of the District to perform its obligations under this Financing Agreement.

“Maximum Annual Debt Service” means the greatest amount of Debt Service with respect to the 2022 Obligations and any Parity Debt to which reference is made coming due in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

“Miscellaneous Plan” means the obligation of the District to make payments pursuant to the CalPERS Contract with respect to certain of the District’s miscellaneous employees.

“Net Proceeds” means, when used with respect to any condemnation award or any insurance proceeds received with respect to District facilities, the amount of such respective condemnation award or insurance proceeds remaining after payment of all expenses (including reasonable attorneys’ fees) incurred in the collection of such award or proceeds.

“Net Revenues” means, for any period, all of the Gross Revenues received by the District during such period minus the amount required to pay all Operation and Maintenance Costs of the District which are payable during such period.

“Note” means the Promissory Note issued by the District hereunder on April 27, 2022, in the original principal amount of \$10,794,000, evidencing the obligations of the District under this Financing Agreement, in the form attached hereto as Exhibit C.

“2022 Obligations” means the North County Fire Protection District of Monterey County, Series 2022 Taxable Revenue Obligations (CalPERS UAL Prepayment Project), secured by this Financing Agreement, as evidenced by the Note.

“Obligation Payments” means the scheduled Obligation Payments set forth on Exhibit A hereto.

“Obligation Payment Date” or “Payment Date” means October 1 and April 1 of each year, commencing October 1, 2022, and continuing to and including the date on which the Obligation Payments have been paid in full; provided that if any Obligation Payment Date shall fall on a non-Business Day, the Obligation Payment Date shall be the next succeeding Business Day and interest on such payment shall accrue to and including such next succeeding Business Day.

“Obligation Proceeds” means the \$10,794,000 amount received by the District from the Bank on the Closing Date.

“Operation and Maintenance Costs” means reasonable and necessary costs spent or incurred for maintenance and operation of the Enterprise calculated in accordance with GAAP, including (among other things) the reasonable and necessary expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, including, but not limited to, salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges, but excluding (i) debt service payments or other similar payments on the Parity Debt, Subordinate Debt or other obligations required to be paid by it to comply with the terms of this Financing Agreement or any contract or resolution or indenture authorizing the issuance of any bonds or obligations, and (ii) depreciation, replacement and

obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

“Opinion of Counsel” means a written opinion of Weist Law LLP or such other counsel of recognized national standing in the field of law relating to municipal bonds appointed and paid by the District.

“Outstanding” means all 2022 Obligations theretofore issued by the District, except:

(1) 2022 Obligations theretofore canceled or surrendered for cancellation in accordance hereof;

(2) 2022 Obligations for the payment or redemption of which moneys shall have been deposited in trust (whether upon or prior to the maturity or the redemption date of such Obligations), provided that, if such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Financing Agreement; and

(3) 2022 Obligations paid or defeased pursuant to Sections 8.2 hereof.

“Parity Debt” means any bonds, notes, leases, installment sale agreements, financing agreements, contracts or other obligations of the District which are secured by a pledge of and lien upon any of the Gross Revenues and which are payable on a parity with the Obligation Payments, entered into or issued under and in accordance with Section 5.13 hereof.

“Parity Debt Documents” means, collectively, the indenture of trust, trust agreement, installment sale agreement, loan agreement, financing agreement or other document authorizing the issuance of any Parity Debt or any securities which establishes or evidence Parity Debt.

“Parity Payments” means all payments scheduled to be paid by the District under Parity Debt Documents.

“Payment Instructions” means the written Irrevocable Payment Instructions dated as of April 1, 2022, given by the District to the Bank relating to the wire transfer of Obligation Proceeds to CalPERS, and the corresponding prepayment of a definitive portion of the UAL.

“PEPRA” means the Public Employees’ Pension Reform Act.

“PEPRA Safety Plan” means the obligation of the District to make payments pursuant to the CalPERS Contract with respect to the District’s public safety employees under its corresponding PEPRA plan.

“Person” means an individual, corporation, firm, association, limited liability company, corporation, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“President” means the President of the Board of Directors of the District.

“Principal Account” means the account by that name in the General Fund established pursuant to Section 4.3 hereof.

“Principal Component” means the principal component(s) of any of the Obligation Payments, as such is set forth in Exhibit A hereto.

“Project” or “CalPERS UAL Prepayment Project” means the portion of the District’s UAL financed by the 2022 Obligations.

“Rate Stabilization Fund” means the fund by that name established and maintained pursuant to Section 5.3(e) hereof, or any subsequent rate stabilization fund established by the District that is intended to serve as the Rate Stabilization Fund under Section 5.3(e) hereof.

“Request of the District” or “Written Request” means a request in writing signed by the District’s President, Fire Chief or Secretary, or by any other officer of the District duly authorized by the Fire Chief for that purpose.

“Resolution” means the Resolution No. 22-04-__ adopted by the Board of Directors on April 12, 2022, authorizing the execution and delivery of this Financing Agreement, and otherwise providing for the execution and delivery of the 2022 Obligations.

“Safety Plan” means the obligation of the District to make payments pursuant to the CalPERS Contract with respect to the District’s public safety employees.

“Secretary” means the Secretary of the District.

“State” means the State of California.

“Subordinate Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Payments required to be made under all Subordinate Debt in such Fiscal Year or twelve (12) calendar month period.

“Subordinate Debt” means indebtedness or other obligations (including but not limited to loans, leases and installment sale agreements, bonds or contracts) hereafter issued or incurred in compliance with Section 5.13 hereof and secured by a pledge of and lien on Gross Revenues subordinate to the pledge and lien securing the Obligation Payments.

“Subordinate Debt Service Coverage Requirement” means for any Fiscal Year, or other period of time for which such calculation is made, that Net Revenues for such Fiscal Year, or other period of calculation, must be at least equal to one hundred one percent (101%) of Maximum Annual Debt Service for such period of calculation.

“Subordinate Payments” means all installment, lease or loan payments scheduled to be paid by the District under all respective agreements relating to the issuance of any Subordinate Debt.

“Term” or “Term of this Financing Agreement” means the time during which this Financing Agreement and the 2022 Obligations are in effect, as provided in Section 3.3 hereof.

“UAL Obligation” means the portion of UAL being financed with the proceeds of the 2022 Obligations.

Section 1.2. Benefits of Financing Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District and the Bank any right, remedy or claim under or pursuant hereto. Any agreement or covenant required herein to be performed by or on behalf of the District shall be for the sole and exclusive benefit of the Bank.

Section 1.3. Successor is Deemed Included in all References to Predecessor. Whenever the District is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, and all agreements and covenants required hereby to be performed by or on behalf of the District shall bind and inure to the benefit of the successors thereof whether so expressed or not.

Section 1.4. Waiver of Personal Liability. No member of the Board and no officer, agent, or employee of the District, or of any department or agency thereof, shall be individually or personally liable for the payment of the principal of or interest on the 2022 Obligations, but nothing contained herein shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or hereby.

Section 1.5. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. Words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Financing Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 1.6. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or the 2022 Obligations; but the Bank shall retain all the rights and benefits accorded to it under any applicable provisions of law. The District hereby declares that it would have adopted this Financing Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

Section 2.1. Covenants, Representations and Warranties of the District. The District makes the following covenants, representations and warranties to the Bank as of the date and execution and delivery of this Financing Agreement:

- (a) The District is a fire protection district duly organized and validly existing under the Constitution and laws of the State.
- (b) The District has full legal right, power and authority under the laws of the State to adopt the Resolution and to enter into this Financing Agreement and the Note and the transactions contemplated herein, and to carry out its obligations hereunder and thereunder.
- (c) Neither the Gross Revenues nor the Net Revenues have otherwise been pledged and there are no other liens against the Gross Revenues or Net Revenues, senior to, or on parity with the Obligation Payments.
- (d) By all necessary official action, the District has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, this Financing Agreement, the Payment Instructions and the Note and the consummation by it of all other transactions contemplated by this Financing Agreement, the Note, the Payment Instructions and the Resolution. When executed and delivered by the District, this Financing Agreement, the Note, the Payment Instructions and the 2022 Obligations will be in full force and effect and will constitute legal, valid and binding agreements or obligations of the District, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.
- (e) No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Financing Agreement or the Note or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) The District's audited financial statements for the period ended June 30, 2020, present fairly the financial condition of the District as of the date hereof and the results of operation for the period covered thereby. Except as has been disclosed to the Bank, there has been no change in the financial condition of the District since June 30, 2020, that will in the reasonable opinion of the District materially impair its ability to perform its obligations under this Financing Agreement. All information provided by the District to the Bank with respect to the financial performance of the District is accurate in all material respects as of its respective

date and does not omit any information necessary to make the information provided not misleading.

- (g) As currently conducted, the District's activities are in all material respects in compliance with all applicable laws, administrative regulations of the State of California and of the United States and any agency or instrumentality of either, and any judgment or decree to which the District is subject.
- (h) As long as the 2022 Obligations are outstanding, the District will notify the Bank or its designee, within 30 days, following the date of an event that (i) could cause a default on any obligation of the District, (ii) might reasonably be anticipated to cause a Material Adverse Effect, (iii) might reasonably be anticipated to result in Material Litigation, and (iv) could have a negative material impact on the financial condition of the District.
- (i) The District is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either or any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject (including, without limitation, the Resolution, the Payment Instructions, the Note and this Financing Agreement), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the adoption of the Resolution, the execution and delivery of the 2022 Obligations and the execution and delivery of the Payment Instructions, the Note and this Financing Agreement and compliance with the District's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instruments, except as provided by the Resolution, the Payment Instructions, the Note and this Financing Agreement.
- (j) No action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, has been served and is pending or, to the best of the District's knowledge, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or the titles of the officials of the District to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the making, execution or delivery of the Payment Instructions, the Note or this Financing Agreement or the application of the Obligation Proceeds; (iii) in any way contesting or affecting, as to the District, the validity or enforceability of the Bond Law, the Resolution, the Payment Instructions, the Note or this Financing Agreement; (iv) in any way contesting the powers of the District or its authority with respect to the execution or delivery of the Note, the adoption of the Resolution, or the execution and delivery of the Note, the Payment Instructions or this Financing Agreement; (v) contesting the exemption of interest

on the 2022 Obligations for State income tax purposes; or (vi) in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the District to perform and satisfy its obligations under the Note or this Financing Agreement; nor to the best of the District's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Bond Law, the proceedings authorizing the Resolution, the Payment Instructions, the Note or this Financing Agreement or the performance by the District of its obligations thereunder, or the authorization, execution, delivery or performance by the District of the Note, the Payment Instructions, the Resolution or this Financing Agreement.

- (k) The District is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.
- (l) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the execution and delivery of the 2022 Obligations and the execution, delivery of and performance of the Note, the Payment Instructions and this Financing Agreement by the District have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2022 Obligations, as to which no representation is made).
- (m) The District has the legal authority to apply and will apply, or cause to be applied, the Obligation Proceeds as provided in and subject to all of the terms and provisions of the Bond Law, the Resolution, the Payment Instructions, the Note and this Financing Agreement.
- (n) The District is in compliance in all material respects with all applicable Environmental Regulations, including, without limitation, regulations governing air pollution, soil and water pollution, the use, generation, storage, treatment, removal, handling or disposal of Hazardous Substances, other materials or wastes, and the emission of electromagnetic or nuclear radiation.
- (o) Neither the District nor any of its facilities are the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by an Environmental Regulation referred to in (n) above or to respond to a release of any Hazardous Substances into the environment.
- (p) To its knowledge, after reasonable investigation, the District does not have any material contingent liability in connection with any release of any Hazardous Substances into the environment that would have a Material Adverse Effect on the District or payment, when due, of the principal, premium, if any, or interest on the 2022 Obligations.

- (q) No event has occurred and no condition exists which would constitute an Event of Default with respect to this Financing Agreement or which, with the passing of time or with the giving of notice or both would become such an Event of Default.
- (r) The District has heretofore established the General Fund into which the District deposits and will continue to deposit all Gross Revenues, and which the District will maintain throughout the Term of this Financing Agreement.
- (s) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Gross Revenues or Net Revenues, which security interest or claim is superior to the Obligation Payments.
- (t) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.
- (u) The District acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of UAL, that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the District is a party, including this Financing Agreement, and that it understands the risks inherent in such transactions.
- (v) Any certificate, signed by any official of the District authorized to do so in connection with the transactions described in this Financing Agreement, shall be deemed a representation and warranty by the District to the Bank as to the statements made therein.
- (w) Since the most current date of the information, financial or otherwise, supplied by the District to the Bank:
 - (i) There has been no change in the assets, liabilities, financial position or results of operations of the District which might reasonably be anticipated to cause a Material Adverse Effect;
 - (ii) The District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect;
 - (iii) The District has not (A) incurred any material indebtedness, other than the Obligation Payments and trade accounts payable arising in the ordinary course of the District's business, or (B) guaranteed the indebtedness of any other person; and
 - (iv) All information, reports and other papers and data furnished by the District to the Bank were, at the time the same were so furnished, to the best of the District's knowledge, complete and accurate in all material respects. No fact is known to the District which has had or, to the best of the District's knowledge, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Bank or in other such information, reports, papers and

data or otherwise disclosed in writing to the Bank prior to the Closing Date. Any financial, budget and other projections furnished to the Bank by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and as of the date of this representation, represent the District's best estimate of future financial performance of the District.

- (x) Inasmuch as this Financing Agreement represents a negotiated transaction, the District understands, and hereby confirms, that the Bank is not acting as a fiduciary of the District, but rather is acting solely in its capacity as Bank, for its own account. The District acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the District 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 District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Bank and its affiliates have financial and other interests that differ from those of the District, and (vi) the District has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

Section 2.2. Covenants, Representations and Warranties of the Bank. The Bank makes the following covenants, representations and warranties to the District as of the date of the execution and delivery of this Financing Agreement:

- (a) The Bank has been duly organized and is validly existing as a national banking association, with full corporate power to enter into and undertake its duties and obligations hereunder and has sufficient knowledge and experience in financial and business matters, including purchase and ownership of taxable and tax-exempt municipal obligations, to be able to evaluate the economic risks and merits of the 2022 Obligations.
- (b) The execution, delivery and performance of this Financing Agreement has been duly authorized by all necessary corporate actions on the part of the Bank and do not require any further approvals or consents.
- (c) The Bank will deliver to the District a certificate or letter substantially in the form set forth in Exhibit B attached hereto.

ARTICLE III

TERMS OF THE 2022 OBLIGATIONS

Section 3.1. Authorization and Terms of the 2022 Obligations.

(a) The 2022 Obligations shall be designated “North County Fire Protection District of Monterey County, Series 2022 Taxable Revenue Obligations (CalPERS UAL Prepayment Project).” Absent circumstances not presently anticipated, the entire issue of the 2022 Obligations shall be purchased by the Bank in the aggregate amount of \$10,794,000 in immediately available funds on the Closing Date (the “Obligation Proceeds”), and shall be evidenced by the Note, initially registered in the name of the Bank, in substantially the form attached hereto as Exhibit C with necessary or appropriate variations, omissions and insertions as permitted or required by this Financing Agreement.

(b) The 2022 Obligations shall be dated the Closing Date and shall bear interest at the Interest Rate of 3.20% per annum (calculated on the basis of a 360-day year of twelve 30-day months). The 2022 Obligations shall bear interest from the Closing Date to each Payment Date as such is set forth in Exhibit A hereto, as may be amended from time to time, including any prepayment thereof pursuant to Section 3.4 or 3.5 hereof.

(c) The 2022 Obligations shall be payable as to principal and interest in legal tender of the United States of America.

(d) On the Closing Date, the Bank shall transfer the 2022 Obligation Proceeds as set forth in Section 3.2 below.

Section 3.2. Deposit and Application of Obligation Proceeds. The District hereby instructs the Bank (to which instruction the Bank agrees) to wire transfer \$190,000.00 of the Obligation Proceeds for the payment of Costs of Issuance on behalf of the District to the payees set forth in the Requisition for Payment of Costs of Issuance, executed by an Authorized Representative of the District, in substantially the form attached hereto as Exhibit D, and (b) wire transfer \$10,604,000.00 of the Obligation Proceeds directly to the CalPERS in accordance with the Payment Instructions.

Section 3.3. Term of the Financing Agreement. The Term of this Financing Agreement and the 2022 Obligations shall commence on the Closing Date and shall end on the date on which the 2022 Obligations shall be paid in full or provision for such payment shall be made as provided herein.

Section 3.4. Optional Prepayment. On and after October 1, 2022, the District shall have the option to prepay the unpaid Principal Components of the 2022 Obligations in whole, or in part, on any Payment Date, by paying a prepayment price equal to the aggregate amount of Principal Components to be prepaid, together with the interest required to be paid thereon on the date fixed for prepayment, plus a prepayment premium of the Principal Component to be prepaid as set forth in the table below:

<u>Prepayment Date</u>	<u>Prepayment Premium</u>
October 1, 2022 through April 1, 2024	103%
October 1, 2024 through April 1, 2026	102%
October 1, 2026 through April 1, 2028	101%
October 1, 2028 and thereafter	100%

The District shall give the Bank notice of its intention to exercise its option not less than thirty (30) days in advance of the date of exercise.

In the event the District prepays less than all of the remaining Principal Components of the Obligation Payments pursuant to this Section 3.4 the amount of such prepayment shall be applied by the Bank to the outstanding Principal Components in inverse order of maturity.

Section 3.5. Prepayment upon Casualty Loss or Governmental Taking. At the District's option, and upon thirty (30) days' prior written notice to the Bank, the 2022 Obligations shall be subject to prepayment as a whole or in part on any date, from the Net Proceeds of casualty insurance or a governmental taking of a District facility or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein, at a prepayment price equal to the sum of the principal prepaid plus accrued interest thereon to the date fixed for prepayment, without premium.

In the event the District prepays less than all of the remaining Principal Components of the Obligation Payments pursuant to this Section 3.5, the amount of such prepayment shall be applied by the Bank to the outstanding Principal Components in inverse order of maturity, unless otherwise requested by District and agreed to by Bank in its reasonable discretion.

Section 3.6. Execution of the Financing Agreement. The execution of this Financing Agreement by an Authorized Representative shall constitute conclusive evidence of such officers' and the Board's approval hereof, including any changes, insertions, revisions, corrections, or amendments as may have been made hereto.

Section 3.7. Assignment by the Bank. The Bank's right, title and interest in and to this Financing Agreement and the Note, with prior written notice to the District, may be assigned and reassigned to one or more assignees or sub-assignees by Bank, without the necessity of obtaining the consent of District; provided that such assignment shall not result in more than thirty-five (35) assignees or sub-assignees of the Bank's rights and interests in this Financing Agreement and the Note, or that such assignment shall not result in the creation of any interest in this Financing Agreement and the Note in an aggregate principal amount that is less than one hundred thousand dollars (\$100,000); and further provided that Bank has filed with the District at least five Business Days' prior written notice thereof along with an executed copy of an investor's letter addressed to the District and the Bond Counsel substantially in the form of the Investor Letter delivered by the Bank on the Closing Date attached hereto as Exhibit B, other than with respect to assignment by the Bank to an affiliate.

The District shall pay all Obligation Payments hereunder to the Bank, as provided in Section 4.2 hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the District. Any assignment of the Note in accordance with this Section 3.7 shall, without further action, be deemed to assign the Bank's interest under this Financing Agreement.

Section 3.8. Closing Conditions. The Bank has entered into this Financing Agreement in reliance upon the representations and warranties of the District contained in this Financing Agreement and to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the District of the obligations of the District pursuant to this Financing Agreement at or prior to the Closing Date. Accordingly, the obligation of Bank to purchase the 2022 Obligations and execute this Financing Agreement is subject to the fulfillment to the reasonable satisfaction of the Bank of the following conditions:

(a) The representations and warranties of the District contained in this Financing Agreement shall be true, complete and correct on the Closing Date.

(b) On the Closing Date, the Resolution, the Payment Instructions, the Note and this Financing Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Bank.

(c) On the Closing Date, the District will have adopted and there will be in full force and effect such Resolution as in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated by this Financing Agreement, and all necessary action of the District relating to the issuance of the 2022 Obligations will have been taken, will be in full force and effect and will not have been amended, modified or supplemented, except as may have been agreed to in writing by the Bank.

(d) At or prior to the Closing Date, the Bank will have received the following documents:

(i) the approving opinions, dated the Closing Date and addressed to the Bank, of Bond Counsel in form and content satisfactory to the Bank, to the effect that (I) the interest on the 2022 Obligations is excluded from gross income for State income tax purposes, and (II) the 2022 Obligations has been duly authorized, executed and delivered by the District and are legal, valid and binding obligations of the District, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy and judicial discretion;

(ii) a certificate or certificates, dated the date of the Closing Date and signed on behalf of the District by an Authorized Representative, to the effect that (I) the representations and warranties contained in this Financing Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (II) no litigation of any nature is then pending or, to his or her knowledge, threatened, seeking to restrain or enjoin the issuance and delivery of the 2022 Obligations or the levy or collection of revenues to pay the principal thereof and interest thereon, questioning the proceedings and authority by which such pledge is made, affecting the

validity of the 2022 Obligations or contesting the existence or boundaries of the District or the title of the present officers to their respective offices; (III) no authority or proceedings for the issuance of the 2022 Obligations has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the 2022 Obligations has been filed with or received by the District; and (IV) the District has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to, and to the extent possible before, the Closing Date;

(iii) a conformed certified copy of the Resolution;

(iv) the items required by the Resolution as conditions for execution and delivery of the 2022 Obligations;

(v) the preliminary filings with the California Debt and Investment Advisory Commission;

(vi) the opinion of the general counsel to the District, dated the Closing Date, addressed to the Bank and the District, to the effect that:

(A) the District is a fire protection district duly organized and validly existing under the Constitution and laws of the State, and has all requisite power and authority: (a) to adopt the Resolution, and to enter into, execute, deliver and perform its covenants and agreements under this Financing Agreement, the Payment Instructions and the Note; (b) to make, execute and deliver this Financing Agreement, the Payment Instructions and the Note; and (c) to pledge the Gross Revenues as contemplated in this Financing Agreement; (d) to carry on its activities as currently conducted;

(B) the District has taken all actions required to be taken by it prior to the Closing Date material to the transactions contemplated by the Resolution, this Financing Agreement, the Payment Instructions and the Note, and the District has duly authorized the execution and delivery of, and the due performance of its obligations under, this Financing Agreement, the Payment Instructions and the Note;

(C) the adoption of the Resolution, the execution and delivery by the District of this Financing Agreement, the Payment Instructions and the Note, and the compliance with the provisions of this Financing Agreement, the Payment Instructions and the Note, to the best of such counsel's knowledge after due inquiry, do not and will not conflict with or violate in any material respect any California constitutional, statutory or regulatory provision or any applicable judgment or decree, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the District a material breach of or default under any agreement or instrument to which the District is a party or by which it is bound;

(D) no litigation is pending with service of process completed or, to the best of our knowledge after due inquiry, threatened against the District in any court in any way affecting the titles of the officials of the District to their respective

positions, or seeking to restrain or to enjoin the execution and delivery of this Financing Agreement, the Payment Instructions and the Note, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the 2022 Obligations, or in any way contesting or affecting the validity or enforceability of this Financing Agreement, the Payment Instructions, the Note or the Resolution, or contesting the powers of the District or its authority with respect to this Financing Agreement, the Payment Instructions, the Note or the Resolution;

(E) to the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the District of this Financing Agreement, the Payment Instructions and the Note; and

(F) to the best of such counsel's knowledge after due inquiry, the District is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, which breach or default would materially adversely affect the District's ability to enter into or perform its obligations under this Financing Agreement, the Payment Instructions and the Note, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

(vii) such additional legal opinions, certificates, instruments and other documents as the Bank or its counsel may reasonably request to evidence the truth and accuracy, as of the date of this Financing Agreement and as of the Closing Date, of the representations, warranties, agreements and covenants of the District contained herein and the due performance or satisfaction by the District at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the District.

Section 3.9. 2022 Obligations Register. The District will keep or cause to be kept, sufficient books for the registration and transfer of the 2022 Obligations which shall be open at all reasonable times with reasonable prior notice during normal business hours of the District; and, upon presentation, the District shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the 2022 Obligations.

Section 3.10. No CUSIP Numbers; No Rating; No DTC; No Offering Document. The 2022 Obligations shall not bear CUSIP numbers, shall not be rated by any rating agency, shall not be held by The Depository Trust Company, and shall not be offered pursuant to any offering document.

ARTICLE IV

SECURITY

Section 4.1. Pledge and Application of Gross Revenues. The District hereby irrevocably pledges all of the Gross Revenues along with amounts on deposit in the General Fund to the punctual payment of the Obligation Payments. The District agrees that, as long as any of the Obligations remain Outstanding, all of the Gross Revenues shall be deposited as soon as practicable upon receipt in the District's General Fund. This pledge shall constitute a first lien on the Gross Revenues for the payment of the 2022 Obligations in accordance with the terms hereof, and is on a parity with the pledge, lien and security interest which secures Parity Debt, if any.

Section 4.2. Repayment of the 2022 Obligations. The District hereby agrees to repay the 2022 Obligations from Gross Revenues in the aggregate principal amount of \$10,794,000 together with interest (calculated at the rate of 3.20%, on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semi-annual Obligation Payments in the respective amounts and on the respective Obligation Payment Dates specified in Exhibit A hereto, and by this reference made a part hereof. From and during the continuance of an Event of Default, the 2022 Obligations shall, at the option of Bank and with written notice to the District, bear interest at the Default Rate.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Gross Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Obligation Payments constitutes a first lien and security interest which immediately attaches to such Gross Revenues, and is effective and binding against the District, its successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

So long as the 2022 Obligations are owned by the Bank, all principal and interest payments with respect to the 2022 Obligations shall be made by wire transfer or other mutually agreeable form of transfer, in accordance with wire instructions provided by the Bank from time to time.

Section 4.3. Gross Revenues; Flow of Funds. The District has previously established the General Fund, which the District agrees to continue to hold and maintain for the purposes and uses set forth in this Financing Agreement. The District shall deposit all Gross Revenues in the General Fund immediately upon receipt for as long as the 2022 Obligations remain outstanding. The District hereby covenants and agrees that all Gross Revenues, when and as received, will be received and held by the District in trust for the benefit of the Bank and owners of any Parity Debt, and will be disbursed, allocated and applied to pay when due the following amounts in the following order of priority:

(i) **Interest.** On each Obligation Payment Date on which the interest component of the 2022 Obligations and any outstanding Parity Debt is payable, all moneys in the General Fund shall be used and withdrawn by the District for the purpose of paying interest on the 2022 Obligations and any outstanding Parity Debt as it shall become due and payable (including accrued interest on the 2022 Obligations if purchased or redeemed prior to maturity pursuant to this Financing

Agreement). In the event that the amounts on deposit in the General Fund on any Obligation Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the outstanding 2022 Obligations and any outstanding Parity Debt, the District shall apply such amounts to the payment of interest on each of the outstanding 2022 Obligations and Parity Debt on a pro rata basis.

(ii) Principal. On each Obligation Payment Date on which the principal component of the 2022 Obligations and any outstanding Parity Debt is payable, all moneys in the General Fund shall be used and withdrawn by the District for the purpose of paying the principal of the 2022 Obligations and any outstanding Parity Debt at the maturity date or upon redemption, as the case may be. In the event that the amounts on deposit in the General Fund on each Obligation Payment Date on which the principal component of the 2022 Obligations and any outstanding Parity Debt is payable are insufficient for any reason to pay the aggregate amount of principal then coming due and payable on the 2022 Obligations and any outstanding Parity Debt, the District shall apply such amounts to the payment of principal on each of the Obligations and any outstanding Parity Debt on a pro rata basis.

(iii) The District shall establish and maintain a Redemption Account, amounts in which shall be used and withdrawn by the District solely for the purpose of paying the principal of and premium (if any) on the Principal Components to be redeemed pursuant to Section 3.4 or 3.5 hereof.

(iv) To the trustee or appropriate fiduciary, the amount of any deficiency in any reserve fund established for any Parity Debt, the notice of which deficiency has been given to the District in accordance with the related Parity Debt Documents.

(v) Any other payments required to comply with the provisions of this Financing Agreement and any respective Parity Debt Documents.

(vi) After the above disbursements have been satisfied, and so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the General Funds for (i) the payment of all Operation and Maintenance Costs of the District, (ii) the payment of any respective Subordinate Debt or any unsecured obligations, (iii) the acquisition and construction of improvements to the District, (iv) the prepayment of any other obligations of the District, or (v) any other lawful purposes of the District.

Section 4.4. No Preference or Priority. Payment of the Obligation Payments and the principal of and interest on any Parity Debt shall be made without preference or priority. If the amount of Gross Revenues on deposit in the General Fund is any time insufficient to enable the District to pay when due the Obligation Payments and the principal of and interest on any applicable Parity Debt, such payments will be made on a pro rata basis.

Section 4.5. Special Obligation of the District; 2022 Obligations Absolute. The District's obligation to pay the Obligation Payments shall be a special obligation of the District limited solely to Gross Revenues and amounts on deposit in the General Fund. Under no circumstances shall the District be required to advance moneys derived from any source of income other than Gross Revenues and other sources specifically identified herein for the payment of the

Obligation Payments, nor shall any other funds or property of the District be liable for the payment of the Obligation Payments. Notwithstanding the foregoing provisions of this Section, however, nothing herein is intended to prohibit the District voluntarily from making any payment hereunder from any source of available funds of the District.

The obligations of the District to pay the Obligation Payments from Gross Revenues, and to perform and observe the other agreements contained herein, shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Bank of any obligation to the District or otherwise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Bank. Until such time as all of the Obligation Payments shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Obligation Payments, (b) will perform and observe all other agreements contained in this Financing Agreement, and (c) will not terminate this Financing Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to District facilities, sale of District facilities, the taking by eminent domain of title to or temporary use of any component of District facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Bank to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Financing Agreement.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.1. Operation and Maintenance of the District. The District will maintain and preserve the Enterprise and its assets in good repair and working order at all times and will operate the District in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.2. Against Sale or Other Disposition of Property. The District will not sell, lease, or otherwise dispose of District facilities that are essential to the proper operation of the District or to the maintenance of Gross Revenues and Net Revenues. The District will not enter into any agreement or lease that impairs the operations of the District necessary to secure adequate Gross Revenue and Net Revenues for the payment of the 2022 Obligations or that would otherwise impair the rights of the District with respect to the Gross Revenues and Net Revenues or the operation of the Enterprise. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the District, or any material or equipment that has become worn out, may be sold at not less than the fair market value thereof. The District shall deposit the proceeds of such sale in the General Fund. Nothing herein shall restrict the ability of the District to sell any portion of the Enterprise if such portion is immediately repurchased by the District (or other entity required as part of a financing structure) and if such arrangement cannot by its terms result in the purchaser of such portion of the Enterprise exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Enterprise or interfere with its right to collect the Gross Revenues therefrom.

Section 5.3. Rates, Fees, and Charges.

(a) **Covenant to Maintain Gross Revenues.** The District shall at all times do and perform all acts and things permitted by law that are necessary to maintain in full force and effect its rights to receive revenues from its current sources of Gross Revenues and shall take no action that would result in the reduction of the amount of revenues from any such source. The District shall fix, prescribe, assess, revise and collect rates, assessments, fees and charges for District services and facilities during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay 100% of the following amounts in the following order of priority:

- (i) the Obligation Payments during such Fiscal Year;
- (ii) all Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (iii) all other payments required for compliance with this Financing Agreement and the instruments pursuant to which any Parity Debt shall have been issued; and
- (iv) all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Gross Revenues.

(b) **Covenant to Maintain Net Revenues.** In addition, the District shall fix, prescribe, revise, assess and collect rates, assessments, fees and charges for District services and facilities during each Fiscal Year that are sufficient to yield Net Revenues which, when added to other funds transferred from the Rate Stabilization Fund, and which are lawfully available to the District for payment of the items listed in clauses (ii) and (iii) above during such Fiscal Year, will aggregate an amount at least equal to Debt Service Coverage Requirement in such Fiscal Year for the Obligation Payments and any Parity Debt which has a lien on such Net Revenues.

(c) **Transfers from Rate Stabilization Fund.** For purposes of this Section 5.3, the amount of Net Revenues or Gross Revenues of the District for a Fiscal Year will include amounts transferred into the General Fund from the Rate Stabilization Fund during such Fiscal Year.

(d) **Effect of Violation of Rate Covenants.** If the District violates the covenants set forth in subsections (a) or (b) hereof, but otherwise makes its scheduled Obligation Payments in a timely manner, such violation shall not, in and of itself, constitute an Event of Default under this Financing Agreement so long as within 120 days after the date such violation is discovered, the District either (a) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated applicable Net Revenues which are at least equal to one hundred ten percent (110%) of the aggregate amount of Debt Service on the 2022 Obligations and any Parity Debt payable from Net Revenues coming due and payable during such Fiscal Year in compliance with subsection (b) of this Section 5.3, or (b) hires an Independent Consultant to review the revenues and expenses of the District, and abides by such consultant's recommendations to revise the schedule of rates, assessments, fees, expenses and charges, and to revise any Operation and Maintenance Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; *provided, however*, that, if the District does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with said

subsection (a) or (b), as applicable, or otherwise cure such violation within two years after the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 6.1(a)(2) hereof, unless otherwise agreed to in writing by the Bank.

(e) **Rate Stabilization Fund.** The District has the right (but not the obligation) at any time to establish a separate fund to be known as the “Rate Stabilization Fund,” to be held and maintained by the District for the purpose of stabilizing the DSC Requirement. The District shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available, including but not limited to Revenues which are released from the pledge and lien which secures the 2022 Obligations and any Parity Debt as the District may determine; provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year, unless otherwise agreed to by the Bank. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the 2022 Obligations or any Parity Debt. The District may at any time withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

For the purpose of computing the amount of Gross Revenues for any Fiscal Year for purposes of the preceding subsection (a), or the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (b), the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the General Fund, such transfers to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year. In addition, the District shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

Section 5.4. Collection of Rates and Charges. The District will always have in effect rules and regulations requiring each consumer or customer utilizing the District facilities and/or services to pay the rates, assessments, fees and charges applicable to such use or benefit received. Except in connection with the receipt of federal or State funding, the District will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof).

Section 5.5. Reserved.

Section 5.6. Insurance. (a) The District will procure and maintain insurance on the District facilities with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the District facilities) as are usually insurable in accordance with industry standards with respect to similar fire district facilities.

In the event of any damage to or destruction of District facilities caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the District facilities. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as

possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the District facilities shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to prepay the 2022 Obligations and any other Parity Debt, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such Parity Debt.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding the 2022 Obligations and all Parity Debt and all other amounts due hereunder, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the District facilities, and thereupon such proceeds shall be applied to the prepayment of the 2022 Obligations and such Parity Debt and to the payment of all other amounts due hereunder, and as otherwise required by the documents pursuant to which other Parity Debt were issued.

(b) The District will procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of District facilities, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar fire districts in California.

(c) The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof; such insurance to cover all persons employed in connection with the District.

(d) All policies of insurance required to be maintained herein shall provide that the Bank shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(e) In lieu of obtaining insurance coverage as required by this Section, such coverage may, with the prior written consent of the Bank, be maintained by the District in the form of self-insurance. The District shall certify to the Bank that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before July 1 of each year in which self-insurance is maintained, in writing to the Bank that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an "independent" trustee. Any statements of self-insurance shall be delivered to the Bank. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

The District shall cause the Bank to be named as an additional insured with respect to the District's liability insurance, and as a loss payee with respect to any property damage insurance. The District shall not allow any insurance to expire without thirty (30) days prior written notice to the Bank.

Section 5.7. Eminent Domain. If all or any part of the District facilities shall be taken by eminent domain proceedings, the resulting Net Proceeds thereof shall be applied as follows:

(a) If (1) the District delivers to the Bank a Certificate of the District showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the District facilities proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such Certificate of the District and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be applied to prepay the Principal Components and the principal amount of any other Parity Debt, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such other Parity Debt.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Principal Components of the 2022 Obligations and the principal amounts of any other Parity Debt, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such other Parity Debt.

Section 5.8. Additional Information. The District agrees to furnish to the Bank, promptly, from time to time, such information regarding the operations, financial condition and property of the District as the Bank may reasonably request.

Section 5.9. Compliance with Law and Contracts. The District will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on its operation of the District by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control.

Section 5.10. Punctual Payment. The District will punctually pay the principal and interest to become due in respect of the 2022 Obligations, in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not rescind this Financing Agreement for any cause.

Section 5.11. No Ratings; No Reoffering or Reissuance. The District shall not cause the 2022 Obligations or the Note to be (i) assigned a specific rating by any rating agency, (ii) reoffered or reissued pursuant to any type of official statement, private placement memorandum or other offering document, or (iii) placed or offered by a broker-dealer in the capacity of an underwriter or a placement agent.

Section 5.12. Protection of Security and Rights of the Bank. The District will preserve and protect the security of the 2022 Obligations and the rights of the Bank and will warrant and

defend the Bank's rights against all claims and demands of all persons. From and after the Closing Date, the 2022 Obligations shall be incontestable by the District.

Section 5.13. Parity Debt.

(a) So long as the 2022 Obligations are outstanding, the District shall not issue or incur any obligations payable from Gross Revenues or Net Revenues senior or superior to the payment of Debt Service on the 2022 Obligations. The District may at any time issue Parity Debt payable from Gross Revenues on a parity with Debt Service on the 2022 Obligations to provide financing or refinancing for the District in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Debt subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Debt:

(1) No Event of Default shall have occurred and be continuing;

(2) The District delivers to the Bank prior to such incurrence a Certificate of the District (i) certifying that the issuance or incurrence of such Parity Debt will not have any adverse effect on the tax-exempt status of any outstanding Parity Debt, if applicable, and (ii) demonstrating that the estimated Debt Service Coverage Requirement (calculated to include Additional Revenues but without taking into account any amounts transferred into the General Fund from the Rate Stabilization Fund pursuant to Section 5.3(e) hereof) for the most recent Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Debt, was at least equal to the Debt Service Coverage Requirement for such period when adjusted to include approximate annual debt service for such proposed Parity Debt as if it had been outstanding during such period; and

(3) Except with respect to the 2022 Obligations, and at the District's sole discretion, there may be established from the proceeds of such Parity Debt a reserve fund for the security of such Parity Debt.

The provisions of subsection (a)(2) of this Section shall not apply to any Parity Debt if, and to the extent that (i) all of the proceeds of such Parity Debt (other than proceeds applied to pay costs of issuing such Parity Debt and to make the reserve fund deposit required pursuant to subsection (a)(3) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Debt, and (ii) at the time of the incurring of such Parity Debt, the District certifies in writing that maximum annual debt service on such Parity Debt will not exceed Maximum Annual Debt Service on the outstanding Parity Debt being refunded, and (iii) the final maturity of such Parity Debt is not later than the final maturity of the Parity Debt being refunded.

(b) In order to maintain the parity relationship of debt service payments on all Parity Debt permitted hereunder, the District covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Debt, will be structured to occur semi-annually on April 1 and October 1, in each year as such payments are due with respect to the Debt Service payments, and reserve account replenishment with respect to any Parity Debt

will be structured to occur within one year, and to otherwise structure the terms of such Parity Debt to ensure that they are in all respects payable on a parity with the Debt Service payments on the 2022 Obligations and all Parity Debt, and not prior thereto.

(c) The Parity Debt Document under which Parity Debt is issued shall require that:

(i) An Event of Default under this Financing Agreement shall constitute an event of default under such Parity Debt Document;

(ii) An event of default under such Parity Debt Document shall constitute an Event of Default under this Financing Agreement;

(iii) Prior to exercising any remedies in an event of default under such Parity Debt Document, the holders of such Parity Debt (or a trustee representing their interest) shall be required to cooperate with the Bank and vice versa;

(iv) Remedies upon an event of default shall be substantially the same as the remedies provided in this Financing Agreement, and, prior to exercising any such remedies, the holders of such Parity Debt (or a trustee or insurer representing their interest) shall be required to cooperate with the Bank to the end that the interests of such holders and the Bank shall be equally protected;

(v) Interest on such Parity Debt will be payable on April 1 and October 1 in each year of the term of such Parity Debt, and the principal of such Parity Debt will be payable annually on April 1 (or, alternatively, semiannually on April 1 and October 1) in any year in which principal is payable;

(vi) An opinion of Bond Counsel delivered to the Bank that the delivery of the Parity Debt has been duly authorized by the District in accordance with this Financing Agreement, and that the Parity Debt will be legally valid and binding limited obligations of the District; and

(vii) The District will deliver to the Bank a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt set forth herein have been satisfied.

(d) Any collateral given or to be given to secure Parity Debt (with the exception of Equipment Leases) shall also secure the 2022 Obligations on a pari passu basis.

(e) The District may at any time execute any Subordinate Obligations upon satisfaction of the conditions set forth in Section 5.13(a) above, but on a subordinate basis to the Obligation Payments and any outstanding Parity Debt; and further provided that the District delivers to the Bank prior to such incurrence a Certificate of the District demonstrating that the estimated Debt Service Coverage Requirement for the most recent Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Subordinate Debt, was at least equal to the Required Subordinate Debt Service Coverage Requirement (rather than the Debt Service Coverage Requirement that is otherwise required for the incurrence of Parity Debt) for such period when adjusted to include

approximate annual debt service for such proposed Subordinate Debt as if it had been outstanding during such period.

Section 5.14. Against Encumbrances. The District hereby covenants and agrees that it shall not incur any obligations that are secured by a pledge and lien on the Gross Revenues or Net Revenues that is senior to the pledge and lien on the Gross Revenues and Net Revenues contained herein. The District will not make any pledge of or place any lien on the Gross Revenues or Net Revenues except as provided herein. The District may pledge Gross Revenues to secure Parity Debt issued in accordance with Section 5.13 hereof. The District may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose that are payable from and secured by a pledge of and lien on Gross Revenues that is subordinate in all respects to the pledge of and lien on the Gross Revenues provided herein.

Section 5.15. Further Assurances. The District will adopt, make, execute and deliver any and all further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Bank of the rights and benefits provided to it herein.

Section 5.16. Financial Reports. Promptly upon receipt by the District and in no event later than two hundred seventy (270) days after the close of each Fiscal Year (unless otherwise agreed in writing by the Bank), the District will furnish, or cause to be furnished, to the Bank an audit report of an Independent Certified Public Accountant with respect to such Fiscal Year, covering the operations of the District for said Fiscal Year. Such audit report shall include statements of the status of each account pertaining to the District and Enterprise, showing the amount and source of all deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of said Fiscal Year. In addition, the District shall deliver to the Bank, immediately after the approval thereof, a copy of the District's adopted budget for the then current Fiscal Year. The District shall also deliver to the Bank a copy of any update to the District's budget adopted for a Fiscal Year with thirty (30) days of the adoption of such updated budget.

Section 5.17. Observance of Laws and Regulations. The District will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the District, including the District's right to exist and carry on business as a California fire protection district, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 5.18. Budget. The District hereby covenants to take such action as may be necessary to include all Obligation Payments and all other amounts due hereunder in its annual budget and to make the necessary annual appropriations for all such Obligation Payments and all other amount due hereunder.

Section 5.19. Notices. The District shall provide to the Bank:

(a) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Financing Agreement, together with a detailed statement by an Authorized Representative of the steps being taken by the District to cure the effect of such Event of Default.

(b) Prompt written notice (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the District or the Gross Revenues which involve claims equal to or in excess of \$1,000,000 or that seeks injunctive relief, or (ii) of any loss or destruction of or damage to any portion of the District's assets in excess of \$1,000,000.

(c) Prompt written notice of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact Gross Revenues.

(d) Promptly upon notice thereof, any termination or cancellation of any insurance policy which the District is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the District property in excess of an aggregate of \$1,000,000.

(e) With reasonable promptness, such other information respecting the operations, affairs and financial condition of the District as the Bank may from time to time reasonably request.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default and Remedies.

(a) ***Events of Default.*** The following shall be Events of Default hereunder:

(1) Failure by the District to pay any Principal Component or Interest Component on the 2022 Obligations when due.

(2) Failure by the District to observe and perform any covenant, condition or agreement on its part contained herein, other than in clause (1) of this subsection (or as otherwise specifically provided for herein), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Bank; *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Bank shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the District within such thirty (30) day period and diligently pursued until the default is corrected.

(3) Default by the District under any Parity Debt Documents (or Subordinate Debt which requires or permits the immediate acceleration thereof).

(4) Institution of any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee, or similar official of the District or of all or substantially all of its assets, by or with the consent of the District, or institution of any such proceeding without its consent that is not permanently stayed or dismissed within sixty (60) days, or agreement by the District with the District's creditors to effect a composition or extension of time to pay the District's debts, or request by the District for a reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or a general or any assignment by the District for the benefit of the District's creditors.

(5) This Financing Agreement or any material provision of this Financing Agreement shall at any time for any reason cease to be the legal, valid and binding obligation of the District or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the District, or the District shall renounce the same or deny that it has any further liability hereunder.

(6) Dissolution, termination of existence or insolvency of the District.

(7) Any court of competent jurisdiction with jurisdiction to rule on the validity of any provision of this Financing Agreement shall find or rule that this Financing Agreement is not valid or not binding on the District.

(b) ***Remedies on Default.*** Whenever any Event of Default shall have happened and be continuing, the interest on the 2022 Obligations shall accrue, at the option of the Bank, at the Default Rate to the extent permitted by law, and, additionally, the Bank shall have the right, at its option upon notice to the District, to declare the unpaid aggregate Principal Components of the 2022 Obligations, and the interest accrued thereon, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Bank shall also have the right, at its option upon notice to the District, to (i) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require officials of the District to charge and collect rates and/or make reductions in expenses and services provided by the District sufficient to meet all requirements of this Financing Agreement, and (ii) take whatever action at law or in equity as may appear necessary or desirable to collect the Obligation Payments then due or thereafter to become due during the Term of this Financing Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Financing Agreement.

Section 6.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 6.1, all Gross Revenues thereafter received by the District shall be applied in the following order:

First, to the payment of the fees, costs and expenses incurred and necessary to protect the interests of the Bank and the holders of Parity Debt, including the reasonable fees, costs and expenses of the Bank and any trustee, paying agent or holder of Parity Debt in connection with such declaration, including reasonable compensation to their respective accountants and counsel; and

Second, to the payment of the entire unpaid aggregate Principal Components of the 2022 Obligations and the accrued interest thereon and any unpaid Parity Debt, with interest on the overdue payments at the rate or rates of interest applicable to the 2022 Obligations and any such Parity Debt if paid in accordance with their respective terms, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, to the Persons entitled thereto without any discrimination or preference.

Section 6.3. Other Remedies of the Bank. The Bank shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District;

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Bank; or

(c) by suit in equity upon the happening of an Event of Default to require the District and its Board members, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein the Bank shall have no security interest in or mortgage on the Enterprise and default hereunder shall not result in the loss of the Enterprise.

Section 6.4. Non-Waiver. Nothing in this article or in any other provision hereof, or in the 2022 Obligations, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2022 Obligations to the Bank when due, as herein provided, out of the Gross Revenues herein pledged for such payment, or shall affect or impair the right of the Bank, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in this Financing Agreement.

A waiver of any default or breach of duty or contract by the Bank shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Bank to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bank by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bank. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Bank, the District and the Bank shall be restored to

their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 6.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 6.6. Prosecution and Defense of Suits. The District shall promptly, upon request of the Bank or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Enterprise whether now existing or hereafter arising and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose.

ARTICLE VII

NOTICES

Section 7.1. Notices. All written notices under this Financing Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice is effective either (a) upon actual receipt after deposit in the United States mail, postage prepaid, or (b) in any other case, upon actual receipt. The District or the Bank may, by written notice to the other parties, from time to time modify the address or number to which communications are given hereunder.

If to the District: North County Fire Protection District of Monterey
11200 Speegle Street
Castroville, CA 95012
Attention: Fire Chief
Ph: (831) 633-2578

If to the Bank: First Foundation Public Finance
2233 Douglas Boulevard, Suite 300
Roseville, California 95661
Attention: Trevor Mael
Phone: (916) 724-2423
E-mail: tmael@ff-inc.com

ARTICLE VIII

AMENDMENTS; DISCHARGE; GENERAL AUTHORIZATION; EFFECTIVE DATE

Section 8.1. Amendments Permitted.

(a) This Financing Agreement and the rights and obligations of the District and of the

Bank may be modified or amended at any time by a written supplemental agreement entered into by the District and the Bank.

(b) From and after the time any supplemental agreement becomes effective pursuant to this Article, this Financing Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Financing Agreement and the Bank shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental agreement shall be deemed to be part of the terms and conditions of this Financing Agreement for any and all purposes.

Section 8.2. Discharge of Financing Agreement.

(a) If the District shall pay or cause to be paid or there shall otherwise be paid to the Bank the principal of and the interest and the prepayment premium, if any, on the 2022 Obligations at the times and in the manner stipulated herein, then all agreements, covenants and other obligations of the District to the Bank hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) This Financing Agreement shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section if (1) in case the 2022 Obligations are to be prepaid on any date prior to its final principal payment date, the District shall have mailed a notice of prepayment to the Bank, (2) there shall have been irrevocably deposited with the Bank (and pledged to the payment of the outstanding balance of the 2022 Obligations), or an escrow agent reasonably acceptable to the Bank, either money in an amount that shall be sufficient or direct obligations of the United States of America that are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money that, together with the money, if any, deposited with the Bank or such escrow agent at the same time, shall be sufficient (in the opinion of an Independent Consultant or Independent Certified Public Accountant) to pay when due the interest to become due on the 2022 Obligations on and prior to the final principal payment date or prepayment date thereof, as the case may be, and the principal of and prepayment premiums, if any, on the 2022 Obligations on and prior to the final principal payment date or the prepayment date thereof, as the case may be, and (3) if the 2022 Obligations are not subject to prepayment within the next succeeding sixty (60) days, the District shall have mailed a notice to the Bank that the deposit required by clause (2) above has been made with the Bank or such escrow agent and that the 2022 Obligations are deemed to have been paid in accordance with this section and stating the principal payment dates or prepayment date, as the case may be, upon which money is to be available for the payment of the principal of and prepayment premiums, if any, on the 2022 Obligations.

Section 8.3. General Authorization. The Authorized Representatives of the District, and each of them individually, are hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver any and all documents (including, but not limited to, this Financing Agreement, the Payment Instructions and the Note), to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, in order to

consummate the financing and to effect the purposes of this Financing Agreement, the 2022 Obligations and the Resolution. All actions heretofore taken by officers, employees, and agents of the District that are in conformity with the purposes and intent of this Financing Agreement, the 2022 Obligations and the Resolution are hereby approved, confirmed, and ratified.

Section 8.4. Binding Effect. This Financing Agreement shall inure to the benefit of and shall be binding upon the Bank and the District and their respective successors and assigns.

Section 8.5. Severability. In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.6. Further Assurances and Corrective Instruments. The Bank and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Financing Agreement.

Section 8.7. Applicable Law and Venue. This Financing Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any legal action to enforce or interpret this Financing Agreement, including any challenge to or review of arbitration, the sole and exclusive venue shall be a court of competent jurisdiction located in San Benito County, California, or the Northern District of California if moved to federal venue, and the parties hereto agree to and do hereby submit to such jurisdiction, notwithstanding Code of Civil Procedure section 394.

Section 8.8. Captions. The captions or headings in this Financing Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Financing Agreement.

Section 8.9. Expenses. The fees and disbursements of Bond Counsel and municipal advisor, the cost of preparing the documentation, CDIAAC fees and other miscellaneous expenses of the District incurred in connection with the 2022 Obligations shall all be the obligation of the District. The Bank shall have no responsibility for any expenses associated with the issuance of the 2022 Obligations, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.10. Agreement to Pay Attorneys' Fees and Expenses. The District will pay the Bank its reasonable attorney fees incurred and necessary to protect the Bank's interest subsequent to an Event of Default.

Section 8.11. Sovereign Immunity. The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Financing Agreement or otherwise with respect to the Note. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Financing Agreement or otherwise with respect to the Note.

Section 8.12. Judicial Reference.

(a) The Bank and the District hereby agree: (i) each proceeding or hearing based upon or arising out of, directly or indirectly, this Financing Agreement or any document related thereto, any dealings between the District and the Bank related to the subject matter of this Financing Agreement or any related transactions, and/or the relationship that is being established between the District and the Bank (hereinafter, a "Claim") shall be determined by a consensual general judicial reference (the "Reference") pursuant to the provisions of Section 638 et seq. of the California Code of Civil Procedure, as such statutes may be amended or modified from time to time; (ii) upon a written request, or upon an appropriate motion by either the Bank or the District, as applicable, any pending action relating to any Claim and every Claim shall be heard by a single Referee (as defined below) who shall then try all issues (including any and all questions of law and questions of fact relating thereto), and issue findings of fact and conclusions of law and report a statement of decision. The Referee's statement of decision will constitute the conclusive determination of the Claim. The Bank and the District agree that the Referee shall have the power to issue all legal and equitable relief appropriate under the circumstances before the Referee; (iii) the Bank and the District shall promptly and diligently cooperate with one another, as applicable, and the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of all Claims in accordance with the terms of this Section 8.12; (iv) either the Bank or the District, as applicable, may file the Referee's findings, conclusions and statement with the clerk or judge of any appropriate court, file a motion to confirm the Referee's report and have judgment entered thereon. If the report is deemed incomplete by such court, the Referee may be required to complete the report and resubmit it; (v) the District and the District, as applicable, will each have such rights to assert such objections as are set forth in Section 638 et seq. of the California Code of Civil Procedure; and (vi) all proceedings shall be closed to the public and confidential, and all records relating to the Reference shall be permanently sealed when the order thereon becomes final.

(b) The parties to the Reference proceeding shall select a single neutral referee (the "Referee"), who shall be a retired judge or justice of the courts of the State of California, or a federal court judge, in each case, with at least ten (10) years of judicial experience in civil matters. The Referee shall be appointed in accordance with Section 638 of the California Code of Civil Procedure (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts). If within ten (10) days after the request or motion for the Reference, the parties to the Reference proceeding cannot agree upon a Referee, then any party to such proceeding may request or move that the Referee be appointed by the Presiding Judge of the Monterey County Superior Court, or of the U.S. District Court for the Northern District of California. The Referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Section 8.12.

(c) No provision of this Section 8.12 shall limit the right of either the Bank or the District, as the case may be, to (i) exercise such self-help remedies as might otherwise be available under applicable law, or (ii) obtain or oppose provisional or ancillary remedies, including without limitation injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after, or during the

pendency of any Reference. The exercise of, or opposition to, any such remedy does not waive the right of the Bank or the District to the Reference pursuant to this Section 8.12(c).

(d) Promptly following the selection of the Referee, the District shall advance the estimated fees and costs of the Referee. In the statement of decision issued by the Referee, the Referee shall award costs, including reasonable attorneys' fees, to the prevailing party, if any, and may order the Referee's fees to be paid or shared by the parties to such Reference proceeding in such manner as the Referee deems just.

Section 8.13. Net-Net-Net Contract. This Financing Agreement is a "net-net-net contract" and the District hereby agrees that the Obligation Payments are an absolute net return to the Bank, free and clear of any expenses, charges or set-offs whatsoever.

Section 8.14. District's Notice Filings Related to this Financing Agreement for SEC Rule 15c2-12. In connection with the District's compliance with any continuing disclosure undertakings (each, a "Continuing Disclosure Agreement") entered into by the District on and after February 27, 2019, pursuant to SEC Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the Bank acknowledges that the District may be required to file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, or its successor ("EMMA"), notice that the District has incurred obligations under this Financing Agreement and notice of certain subsequent events reflecting financial difficulties in connection with this Financing Agreement. The District agrees that it shall not file or submit, or permit to be filed or submitted, with EMMA any documentation that includes the following unredacted sensitive or confidential information about the Bank or its affiliates: address and account information of the Bank or its affiliate, e-mail addresses, telephone numbers, fax numbers, names and signatures of officers, employees and signatories of the Bank or its affiliates, or any account information for any related escrow agreement, unless otherwise required for compliance with the Rule or otherwise required by law. The District acknowledges that the Bank is not responsible for the District's compliance or noncompliance with the Rule or any Continuing Disclosure Agreement.

Section 8.1. Execution in Counterparts. This Financing Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page to Follow on Next Page]

IN WITNESS WHEREOF, the Bank has caused this Financing Agreement to be executed in its corporate name by its duly authorized officer; and the District has caused this Financing Agreement to be executed in its name by its Authorized Representative, as of the date first above written.

FIRST FOUNDATION PUBLIC FINANCE

By: _____
Authorized Representative

NORTH COUNTY FIRE PROTECTION
DISTRICT OF MONTEREY COUNTY

By: _____
Joel Mendoza, Fire Chief

